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World Business Newspaper http://www.FT.com THURSDAY SEPTEMBER 11 1997

WORLD NEWS

Scottish voters expected to back devolution in today's poll

Scottish voters go to the polls today with pro-devolution campaigners confident that electors will vote to establish the country's first parliament for nearly 300 years. Page 14; *If at first you don't succeed, Page 13*

EU overrides maize bans
The European Union is to tell Austria and Luxembourg to withdraw import bans on genetically modified maize. Page 8

Irish PM praises IRA truce
The Irish Republic's prime minister, Bertie Ahern, said the Irish Republican Army's ceasefire declared in July was "of markedly better quality" than that of 1994-96. Page 10

Vandalism 'worst in UK'
British families are plagued by the worst problems of crime and vandalism in the European Union, a survey of 65,000 households across the EU shows.

Long arm of the law
Italian tourist Fabio Piras, who escaped jail on a technicality in London after admitting taking a teddy bear left in tribute to Diana, Princess of Wales, was given a black eye by an objector as he left court. Prozac found in Diana driver test, Page 10

Malaysia delays new capital
Malaysia said it would delay construction of Putrajaya, a M$20bn (US$6.8bn) administrative capital, as part of an attempt to reduce the nation's trade deficit. Page 14

Internet threatens TV adverts
The challenge the internet presents to broadcasting advertising revenues is underlined by a survey which shows that web users watch less television. Page 6

Graduates' pay goes up
US management consultancies are offering the country's brightest business school graduates high starting salaries, signing *fees and guaranteed bonuses in* an attempt to beat off competition for them from Wall Street. Page 14

Pollution change urged
Companies should be given greater freedom to choose their method of curbing pollution, a US report says. Page 6

Japan's police crack down
A recent upsurge in gangland shoot-outs in Japan has led to the largest police operations to be mounted against the country's *yakuza* gangs. Page 4

UK reform may be speeded
British foreign secretary Robin Cook indicated that the government might bring forward *plans* for reform of the House of Lords, parliament's unelected upper chamber. Page 9

Japanese reactor stays shut
The Japanese government ordered the country's troubled plutonium-driven fast-breeder nuclear reactor to stay closed for *a further* year *after* its operators falsified reports on a 1995 coolant leak.

Giuliani expected to win in NY
Rudolph Giuliani, Republican mayor of New York, looks increasingly certain to win re-election to a second term in November. Page 6

Sickness insurance
The UK is to consider making long-term sickness insurance compulsory in an effort to curb the £23bn ($37bn)-a-year disability benefit bill. Page 9

HK universal suffrage
Hong Kong's first Chinese chief executive, Tung Chee-hwa, said universal suffrage in the territory could be achieved after a 10-year phase-in period. Page 4

BUSINESS NEWS

Commerzbank to enter fund management sector in Japan

Commerzbank of Germany is to move into the lucrative Japanese fund management sector with plans to set up an investment trust fund management operation in Tokyo early next year. Big US and UK companies such as Goldman Sachs, Morgan Stanley and Mercury Asset Management have already made similar moves. Page 15; Lex, Page 14; Rights issue, Page 16

Daimler-Benz has boosted its stake in its joint venture with India's Telco, securing its hold on *the Indian car market.* Page 15

France Telecom is in talks that could result in its joining Italy's Enel electricity company and Deutsche Telekom of Germany to bid for Italy's third mobile telephone licence. Page 15

Sweden will impose retrospective taxes on companies which have quit the Stockholm stock exchange's main A list to the unregistered list in protest at higher taxes.
Page 2

The French government plans a sharp increase in the rate of the broad-based Contribution Sociale Généralisée income tax as a *move to shift more of the burden* of financing France's welfare system away from workers. Page 2

UniChem, UK drugs distributor, has appointed former finance minister Kenneth Clarke as non-executive chairman. Page 9

KWV, the farmers' co-operative that has dominated South Africa's wine industry, is to give up its statutory powers and become a private company.
Page 24

Dell Computer took over Compaq to become the biggest supplier of desktop PCs to US businesses. Gateway 2000 is also targeting businesses. Page 17

Caradon, UK building materials group, has been hit by losses in North America. Its shares hit a 21-month low in London. Page 20

Swissair and TAP-Air Portugal have forged a strategic link. The Swiss carrier will probably take a stake when TAP is privatised.
Page 8

US carmakers Chrysler, Ford and General Motors want president Bill Clinton to take "serious and meaningful action" over to *South Korea's "failure to honour"* market-opening commitments under a 1995 trade deal.

Fuji Bank of Japan plans to sell Y3,000bn ($25bn) of its loans by March 31 in what a top bank official described as "a move into American-style banking."
Page 15

India is alert to possible *spillover* from south-east Asia's currency crisis, say to top policymakers.
Page 6

Fujitsu of Japan won a Tokyo court ruling that it had not infringed a Texas Instruments chip technology patent. Texas is to appeal. Page 6

Hong Kong and Shanghai Hotels is scrapping plans to put up a hotel on Sydney harbour front, Australia, and will build apartments instead. Page 16

Hokkaido Bank and Hokkaido Takushoku Bank, two of Japan's biggest, broke off talks saying their merger plans might have to be postponed *or even* scrapped.
Page 16

Ecuador's wholesale fuel marketing companies want the government to revoke the price controls and freeze on margins it imposed last month. Page 5

Santer hits at Emu doubters

EU president upbeat as hopes rise that Germany will curb deficit

By Lionel Barber in Brussels and Ralph Atkins in Bonn

Jacques Santer, president of the European Commission, yesterday called for an end to the "diatribe of doubt" against economic and monetary union and predicted that Emu would start on time on January 1 1999.

Encouraged by signs of an accelerating recovery in Europe, Mr Santer said the European Union had reached the point of no return on the road to the single currency, the euro. "All indicators are pointing in the right *direction," he said.*

His upbeat comments chimed with data from Germany which bolstered hopes that the Bonn government may after all succeed in capping the public deficit at 3.0 per cent of gross domestic product in 1997 – one of the principal targets for countries wishing to join the single currency.

After six months of this year, Germany's public sector deficit is running at 3.1 per cent of GDP. Normal statistical revisions *shaved 0.3 percentage points off* the previously announced deficit-GDP ratio for 1996 of 3.8 per cent, and changes agreed with Brussels on excluding hospital debt reduced the 1996 figure by a further 0.1 point. Adjustments to the 1997 deficit could improve Germany's chances of achieving a pin-point landing on 3.0 per cent.

European Commission president Jacques Santer at a Brussels news conference yesterday Reuters

though there are worries about tax revenues *falling below* earlier forecasts.

German optimism was further boosted yesterday by better-than-expected GDP figures for the second three months of 1997 showing a 2.9 per cent increase compared with the same period a year before.

Mr Santer said the *euro would* come on time, and that a "substantial" number of the 15 member states would join. "The end is in sight and it's not the time to frighten people about the solidity of the single currency," he added.

His remarks were widely interpreted as a warning shot to German politicians who have called for a delay in monetary union if the entry criteria are fudged.

He disclosed that the Commission's legal service had produced an opinion ruling out a delay. However, he did not mention whether the legal service of the Council of Ministers, which represents the member states, shared the same view.

EU finance ministers and central bank governors will discuss monetary union at a *meeting* in Mondorf-les-Bains, Luxembourg, this weekend. One key issue is the method for converting currencies into the euro.

Luxembourg, which holds the rotating EU presidency, is pressing for a signal to financial markets in favour of using the central rate in the European Monetary System as the benchmark. Financial markets need to know the method well in advance of the irreversible transition to fixed exchange rates in 1999.

But it seems likely that ministers and central bankers will delay a final decision until May 1998 when EU leaders *choose* which countries meet the Emu criteria which cover inflation, exchange rate stability, government debt and deficits.

Kohl tax concessions, Page 2
Samuel Brittan, Page 12
Observer, Page 13

Adtranz to cut up to 25% of jobs in European overhaul

By Stefan Wagstyl, Industrial Editor

Adtranz, the rail transport joint venture between ABB and Daimler-Benz, is planning a sweeping restructuring of its European operations, with the loss of up to 25 per cent of its 20,000 jobs.

Adtranz plans to use lessons learnt in Britain – where ABB's rail payroll was cut from 8,200 to 3,500 in the early 1990s – to help it cut costs in the rest of Europe.

"We have just transferred the UK restructuring team to Germany to do the same in Germany as in England," said Kaare Vagner, the president and chief executive officer. About 10 people have been relocated.

Mr Vagner declined to say how many jobs might go in Germany, where Adtranz employs about 8,500 of its 25,000 staff. But he said that 25 per cent of the 20,000 jobs in Europe might be lost, reflecting the need to respond to falling prices and growing international competition as privatisation and the spread of profit-awareness in state-owned *railways* transform the industry.

After Germany, the group's biggest European businesses are in Scandinavia and in newly-acquired operations in Poland.

The US operations, which employ about 2,000, had already been rationalised, Mr Vagner said. However, in emerging economies such as India, Adtranz expected to increase staff.

Meanwhile Adtranz is increasing its commercial links with the rail transport division *of* General Electric of the US.

Mr Vagner said that he hoped the relationship would eventually develop into a full-scale merger. Taht would strengthen Adtranz's position as the world market leader at a time of rapid consolidation in the industry.

Adtranz, with a turnover last year of Ecu3.2bn ($3.45bn) claims a global market share of 17 per cent in rail equipment. GE, with 1996 rail transport revenues of about US$1.7bn, has an estimated share of 6 per cent.

Mr Vagner said: "We are work

Continued on Page 14

US threat to pull out of landmine talks

By Tim Burt in Oslo

The US has told diplomats at the Oslo landmines conference it might pull out of the negotiations unless it wins concessions on specialist anti-tank mines and exemptions for certain parts of the world, such as South Korea.

The conference is trying to agree a treaty to outlaw anti-personnel mines. Loss of US support could *jeopardise attempts* to persuade other large military powers, notably Russia and China, to sign up to the treaty, which is sponsored by Canada. Expectations of a successful outcome were raised last month when the US agreed to join the negotiations. The momentum was intensified by the death of Diana, Princess of Wales, who had campaigned for a worldwide landmine ban.

The US delegation is dismayed by strong opposition to its proposed exemptions for the latest anti-tank weapons and for the use of anti-personnel mines by US *forces operating within Nato.*

"If we cannot satisfactorily resolve these potential security concerns we will not be in a position to sign this treaty," said one US diplomat. The main obstacles emerging in Oslo concern US demands for waivers covering its "Volcano", "Gator" and "MOPMS" mine systems – anti-tank devices which also contain anti-personnel mines – and for an extended deferral period during which the Pentagon could devise alternative military equipment.

The International Committee of the Red Cross, one of the most *vociferous* opponents of anti-personnel mines, warned that accepting the US amendments would undermine the whole Ottawa process.

Conference officials hope the US, despite its reservations, will remain part of the process, even if it decides ultimately not to ratify the treaty due to be signed in the Canadian capital in December.

While expressing frustration at the Oslo negotiations, US officials said they remained committed to a ban that recognised US "global security responsibilities". Failing any agreement in Norway, US *diplomats* said they would continue to seek such a ban through the UN conference on disarmament in Geneva.

Editorial Comment, Page 13

Freight futures to be traded on the internet

By Charles Batchelor in London

A transport futures exchange is to be set up on the internet to help solve forward planning problems faced by truckers and companies shipping goods around the world.

The pan-European Transportation Futures Exchange, due to be launched by two US companies early next year, will enable *companies to purchase transport* futures, helping them to plan their freight requirements and shipments by road, rail and, possibly, barge.

The exchange is being set up by Penske Logistics Europe, a new joint venture between GE Capital Services, the financial services arm of General Electric of the US, and Penske Corporation, a privately owned US group with trucking and distribution interests. It will be based at one of Penske Logistics' offices in Europe.

"The exchange will allow hauliers (truckers) and manufacturers to match transport capacity to their shipments," said Brian Bolam, *president of Penske* Logistics. "They will be able to match their spot requirements, buy and sell forward, and speculate on future movements of the

Continued on Page 14

Markets

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	7703.37	(–58.54)
NASDAQ Composite	1546.71	(–9.51)
Europe and Far East		
CAC40	2874.57	(–45.15)
DAX	4050.14	(–44.25)
FTSE 100	4905.2	(–45.3)
Nikkei	18,704.77	(+8.80)
US LUNCHTIME RATES		
Federal Funds	5½%	
3-mth Treas Bills: Yld	5.11%	
Long Bond	97¼	
Yield	6.645%	
OTHER RATES		
UK: 3-mo Interbank	7⅜%	(7⅛%)
UK: 10 yr Gilt	102.0938	(102.0)
France: 10 yr OAT	99.64	(99.53)
Germany: 10 yr Bund	102.58	(102.51)
Japan: 10 yr JGB	106.76	(106.69)
NORTH SEA OIL (Argus)		
Brent Dated	$18.23	(18.19)

GOLD		
New York: Comex	$321.7	(321.7)
London:	$321.30	(321.85)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.58575	
DM	1.79825	
FFr	6.0475	
SFr	1.47845	
Y	119.265	
London:		
£	1.5883	(1.5905)
DM	1.8015	(1.8111)
FFr	6.0584	(6.0862)
SFr	1.4821	(1.4843)
Y	118.145	(119.065)
Tokyo close		Y 119.31
Sterling		
DM	2.8577	(2.8805)

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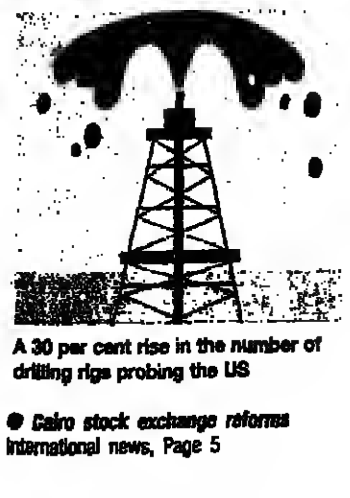
COMMENT & ANALYSIS



A 30 per cent rise in the number of drilling rigs probing the US

TECHNOLOGY

FINANCE

EMERGING MARKETS

Santer maps out his place in history

By Lionel Barber in Brussels

Jacques Santer, president of the European Commission, fresh from a summer vacation among Venezuelan Indian tribes, laid out his agenda yesterday for his final 2½ years in office.

He called on European Union governments to take advantage of the European economic recovery to push tax and labour market reform, and urged them to curb state aid. He criticised "superfluous" and "irresponsible" calls in Germany for delay in economic and monetary union (Emu).

Lastly, he urged all 15 member states to keep their promise to expand membership to the former communist countries of central and eastern Europe, calling it "the greatest challenge the Union has ever faced".

Since he arrived in Brussels in January 1995 as an unlikely choice of president of the Commission, Mr Santer has earned a reputation for being decent and competent but uninspiring. Now, halfway through his term, he knows he has little time left to make his mark on history.

The second half of his term will be decisive. In the next 12 months, EU leaders will choose which countries meet the criteria for Emu membership, open negotiations on enlargement and a new EU budget, and start the process of ratifying the recently concluded treaty of Amsterdam.

Mr Santer defended the new treaty, which provides for closer co-operation on justice and immigration but ducks the reform of institutions and decision-making necessary for eastern enlargement to go forward.

"Amsterdam is a big step forward," he said. "I would have preferred if it had been less timid on certain points, and I regret some holes, notably on institutional reform ... but what was not done in Amsterdam will be done in the near future. Reality will force us."

Mr Santer announced that he would show the way by shaking up the Brussels bureaucracy, starting with external relations and foreign policy, where responsibility is divided geographically between six commissioners. His plan is to break down individual fiefdoms by moving all relevant staff to one building – possibly the Charlemagne, which is being refurbished. In the next Commission, which starts in 2000, a new vice-president will take charge of the external relations portfolio.

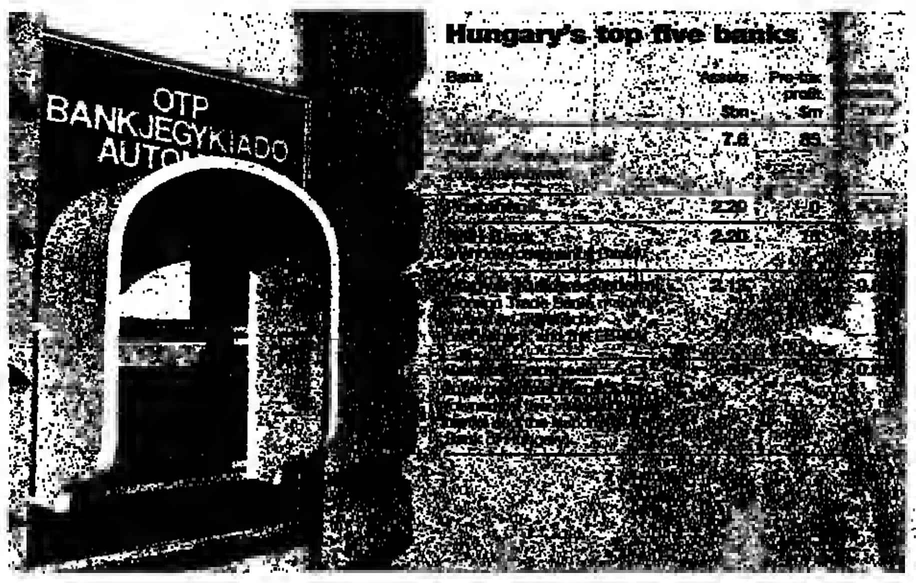
In discussing how to tackle unemployment, Mr Santer said it was vital that EU leaders agree to "concrete" measures when they meet at a special summit in Luxembourg on November 21. About 18m people are out of work in the EU.

He called for targets, or benchmarks, for retraining people out of work, and urged governments to reduce non-wage labour costs. Between 1985 and 1996, these costs had risen in at least seven member-states. Taxes on labour were responsible for one third of EU unemployment, he said, citing unidentified economic studies.

Mr Santer's comments echo the view of some EU governments, notably France and the Benelux countries, that the EU should co-operate more closely on tax and employment policy. This would better balance their pending decision to launch monetary union on January 1 1999.

Hungarian banks stronger after braving pain of reform

Anatol Lieven describes the strategy for stability in Budapest



From a position in 1993 where three of Hungary's five largest banks were estimated to be technically insolvent, the Hungarian banking sector has become the most stable in the former Communist bloc.

International observers agree that, although problems remain, the state of the banks presents less of an obstacle to Hungarian membership of the European Union than may be the case elsewhere.

This is essentially the result of policies adopted between 1993 and 1996. Debt consolidation, restructuring and recapitalisation cost the state up to $3bn, or seven per cent of the 1995 GDP.

Between 1994 and 1996, Hungarian state banks sold or wrote off Ft290bn ($1.5bn) worth of bad debts. From 1995, this was followed by a radical shake-up of their managements.

"Our banks were consolidated in 1993-94," said Zsigmond Jarai, chief executive of Magyar Hitel Bank, now owned by ABN-Amro. "The Czechs thought they could get away with not having to go through that kind of pain. Well, you can see the difference today."

The Hungarian banks emerged much stronger, and much more attractive to international investors. In contrast to the Czechs, and to a lesser extent the Poles, the Socialist government of Gyula Horn has since 1995 actively encouraged the foreign purchase of controlling stakes in leading financial institutions.

Hungary's distinctiveness in this respect partly reflects the path of reform communism which the country took in the 1980s. This allowed Hungarian officials much greater access to the west than was the case elsewhere in the communist world.

A majority of the largest banks are now foreign-controlled, and there has been surprisingly little public hostility to this. Opposition politicians have largely abandoned attempts to mobilise public opinion against foreign ownership. In recent weeks, a 56 per cent stake in Hungary's third largest bank, Commercial and Credit (K&H), was sold to a consortium of Belgian-based Kredietbank and Irish Life Assurance. K&H has assets of $2.2bn, and last year made post-tax profits of $16m.

The Hungarian Privatisation Agency (APV) recently announced that it had sold Mezobank, which specialises in agriculture, to Austria's Girocredit AG for $27.4m and a promise to increase Mezobank's capital by $20m. APV's director for financial institutions, Gabor Nemeth, has said that he hopes a foreign buyer will be found for Penzintezeti Kozpont Bank, the only significant state bank not yet privatised.

Earlier this year, a crisis rocked Hungary's second largest bank, Postabank, when rumours that it was in difficulties set off panic among depositors. Postabank has been called "the one that got away" – the only big bank which resembled those of the Czech Republic in that, although it is privately owned, its loan portfolio and management had both escaped change.

Its ownership, though partly international, is highly fragmented. This allowed the chief executive, Gabor Princz, to make a series of unwise investments, especially in real estate and the media.

The state had to come to the rescue with an injection of Ft11bn. The fact that both Postabank and the financial system weathered the crisis is now cited by officials as an argument for Hungary's financial stability. But opposition politicians, especially from the populist Smallholders Party, have alleged that Mr Princz owes both the bail-out and his own survival in his job to his well-cultivated political contacts.

International and Hungarian observers warn that, while this was a special case, the Hungarian banking scene is not trouble-free. The OECD survey for 1997 highlights in particular the banks' extreme caution over lending to enterprises.

Long-term credits are extended relatively rarely. In the case of medium-sized enterprises, collateral of up to three times the value of the loan is demanded. The result is to drive such enterprises either to foreign banks or to the black market for financing.

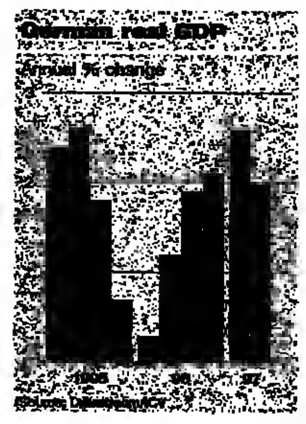
Professor Laszlo Csaba of the Kopint-Datorg economic institute in Budapest thinks the elections due next May mean that this situation is unlikely to improve rapidly. "Next year we will almost certainly have an election budget, with the deficit remaining high," he said.

"As long as that is the case, the banks will go on buying up safe state papers, making fat profits without having to take any commercial risks. In the longer run, though, I hope that the international presence and the appearance of new managers will lead to a more daring approach."

This the fourth in a series on the banking sectors of central and eastern European countries preparing for European Union membership. Previous articles have covered the Czech Republic, Poland and Slovenia. The fifth will cover Estonia.

Kohl offers concession on tax reform

By Peter Norman in Bonn



The German government yesterday tried to revive stalled parliamentary negotiations on tax reform by offering to abandon its goal of legislating annual tax cuts of DM30bn ($16.5bn) before the general election in September next year.

Wolfgang Schäuble, leader of Christian Democratic Union and Christian Social Union MPs in the Bundestag, said the ruling coalition was ready to agree a small tax reform with the opposition Social Democratic party before the election.

Tax rates, from the lowest to the highest, could be cut from 1998 and financed by closing loopholes, Mr Schäuble told the lower house of parliament in a debate on the 1997 and 1998 budgets. Further reform steps, leading to the planned DM30bn of tax cuts, could follow the election on September 27 1998.

Other coalition politicians were willing to compromise on tax reform. Michael Glos, leader of the Bavarian CSU MPs, said the government was ready to talk about cutting non-wage labour costs, an important part of the opposition's tax reform aims.

But it was unclear whether Oskar Lafontaine, the SPD leader, would take up the offer from the embattled coalition of Helmut Kohl, the chancellor.

Mr Lafontaine admitted that tax cuts were needed in Germany. But in an aggressive speech, he defended the opposition-controlled Bundesrat, the second chamber of parliament, for rejecting "stupid" government plans. He accused Mr Kohl's government of having pursued a "disastrous" tax policy that enriched the wealthy but did nothing for the average citizen.

Yesterday's debate gave a foretaste of what is likely to be a year of bitter electioneering.

In mocking tones, Mr Kohl told Mr Lafontaine that not a single Social Democratic leader in the European Union wanted the SPD leader to emerge as winner from next years's general election. He told the SPD that they would stand no chance at the polls if they continued to reject the government's tax reforms.

Seeking to bolster his quarrelsome coalition, Mr Kohl went out of his way to praise Theo Waigel, the finance minister, who caused untold damage to the government during the summer with his call for a cabinet reshuffle, and with his admission that he wanted no longer to be finance minister after the election.

The chancellor even suggested that Mr Waigel could still be in his present job when the euro, the planned European single currency, is introduced at the beginning of 1999, three months after the German poll.

Mr Lafontaine, in turn, seized on Mr Kohl's fulsome review of Mr Waigel's achievements and those of his 15-year chancellorship to charge that the government had run out of ideas and that there was a "whiff of farewell" in the German leader's remarks.

France plans shift in welfare funding

Rise in CSG tax would move burden away from workers, writes **David Owen**

The French government is planning a sharp increase in the rate of the Contribution Sociale Généralisée (CSG), a broad-based income tax, as part of a drive to shift more of the burden of financing France's generous welfare system away from workers.

Dominique Strauss-Kahn, finance and industry minister, indicated in a recent interview that the increase would be by three or four percentage points from the present rate of 3.4 per cent. The move would be accompanied by a corresponding reduction in social security contributions levied on wage-earners.

The net effect of the switch would be to ensure that investment and savings income bore a higher proportion of France's welfare costs. The switch is expected to be announced this month as part of the government's 1998 budget measures and may be broadly revenue-neutral.

At present, the financing burden falls almost entirely on the country's workforce, raising the cost of French labour and pricing the low-skilled out of the market.

Though the Force Ouvrière trade union was yesterday critical of the planned reform, there is broad political agreement on the need for change. Philippe Séguin, recently elected president of the opposition Gaullist RPR party, argued in this year's general election campaign that there was a need "to find a way of financing social spending that does not prevent jobs from existing".

The CSG was created by the Socialists in 1990 and was steadily raised by later centre-right governments. The Socialist party pledged in its 1997 manifesto to undertake "structural reforms favouring work over capital, while according priority to the purchasing power of households".

In separate comments, Mr Strauss-Kahn yesterday, in effect, downgraded official forecasts of 1997 French growth to 2.2 per cent. The previous centre-right administration had projected growth of 2.3 per cent. He predicted 1998 growth would reach 3 per cent. Mr Strauss-Kahn has previously suggested gross domestic product would be rising at an annual rate of about 3 per cent by the end of this year.

He made his projections as Jean Gandois, head of the Patronat employers' federation, criticised the government's intended move towards a 35-hour work week without corresponding loss of pay. He said the move would lead to "an increase in the cost of work and consequently a dramatic increase in unemployment".

Plan to modernise EU labour market

By Robert Taylor, Employment Editor

The European Commission is to launch a social programme next year designed to modernise the European Union labour market and improve job creation, Padraig Flynn, the EU social affairs commissioner, will announce today.

He will tell delegates to the UK Trades Union Congress that the new programme will not be a "stand-alone approach to social issues" but will involve "a strategic, integrated, mutually reinforcing set of social policy guidelines" linked to a "framework of supportive macro-economic policies". The Commission wants to make EU labour market institutions and social protection systems more "employment-friendly".

Although Brussels has no "new raft of legislation" on social issues prepared, he will warn that he is ready to propose appropriate legislation when necessary.

Brussels wants EU governments to "set clear and measurable targets" to cut youth and long-term unemployment and achieve gender equality. Mr Flynn will defend the European social model, arguing that mass unemployment is "the result of under-developed and fragmented economic policies as well as poor investment in human resources".

Swedish government hits companies which change listings

Exchange defectors to be taxed

By Greg McIvor in Stockholm

Sweden's Social Democratic government said yesterday it would impose retrospective tax levies on companies which have defected from the Stockholm stock exchange's main A list to the O, or unregistered, list in protest at higher taxes.

Some 20 corporations, including Hennes & Mauritz, the fashion retailer, and Securitas, Europe's largest security services group, have switched to the O list since May 29.

The exodus was triggered by a government decision last year to extend the wealth tax payable on A list shareholdings to 100 per cent of the value of individuals' holdings, up from 75 per cent. Erik Asbrink, finance minister, said companies which quit the A list after May 29 would be taxed as if they still had a main bourse listing. The O list, intended for smaller, growing companies, is exempt from wealth tax.

The defections have deprived the main market of more than 5 per cent of its value. Some large shareholders have been faced with tax bills in excess of the annual return on their holdings.

Ministers said the wealth tax would be cut to 80 per cent, and shareholders with more than a 25 per cent stake would be exempt.

The changes were immediately denounced by investors. Björn Tarras-Wahlberg, head of the Swedish Taxpayers' Association, said the decision was "unacceptable and retroactive". It was "not worthy of an industrial nation".

The measures, announced at the SDP's national congress in Sundsvall, came as ministers unveiled a flurry of welfare benefit increases.

Proposals included the raising of child benefit and student grants. Tax-deductible travel allowances are to be extended and the qualification period for sickness benefit is to be cut.

The congress has been marked by a clear shift towards traditionalist leftist rhetoric, reflected in the SDP's decision earlier in the week to withdraw proposed planned tax cuts and increase spending on welfare and schooling.

Conference delegates yesterday inflicted a defeat on the party leadership by voting to prioritise full employment over the creation of budget surpluses.

Mr Asbrink has previously advocated an annual budget surplus averaging 2 per cent of GDP over an economic cycle. The government is forecasting a balanced budget next year and a surplus thereafter.

Financial markets reacted negatively. The krona weakened against the D-Mark and the bond yield spread against German bunds widened by 3 basis points to 90 basis points as Swedish yields rose.

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NEWS DIGEST

Chechnya halts executions

The Chechen authorities, which have adopted Islamic law, yesterday postponed the public execution of two convicted murderers, saying the head of the Islamic court was not available to carry out the sentence. The Russian government had expressed outrage at an earlier public execution and demanded a halt to the practice, insisting that the separatist region of Chechnya was still subject to federal Russian laws.

Moscow officials have launched a murder investigation into the previous incident, but the Chechen authorities are still threatening to carry out the latest public execution by the end of the week. The "war of the laws" between Russia and Chechnya highlights the political gulf that remains between the two sides more than a year after a military truce was signed.

However both governments are still publicly committed to finding a lasting political solution clarifying Chechnya's constitutional status. Russian and Chechen officials are due to hold further talks in the resort town of Sochi on Saturday. *John Thornhill, Moscow*

■ GERMAN PRIVATISATION

Dow takes on chemical plants

One of east Germany's largest privatisations was ceremoniously completed yesterday as Dow Chemical of the US took receipt of 80 per cent of the shares in Buna Sow Olefinverbund (BSL), a complex of chemical plants in the region's so-called "dirty triangle".

Dow, which has had management control of BSL since 1995, paid DM300m ($166m) to the Bundesanstalt für vereinigungsbedingte Sonderaufgaben (BvS), the federal agency responsible for the disposal of remaining publicly-owned companies in east Germany, for its stake.

The BvS will retain a 20 per cent stake until a five year restructuring plan at BSL comes to an end in June 2000, at which point Dow can exercise a right to buy the remaining shares for DM250m.

The purchase price is dwarfed by the DM9.5bn in public subsidies committed to the restructuring of BSL, whose three plants in communist times employed over 20,000 people.

BSL now employs 3,200 people, but it plans to cut 800 jobs within two years. *Frederick Stüdemann, Berlin*

■ ITALIAN ECONOMY

Government praised by IMF

Italy's government was praised by the International Monetary Fund yesterday for its overhaul of state accounts, and even the normally cautious business sector agreed things were going better than expected. Both the IMF and Confindustria, the employers' federation, said in separate reports that Italy could reasonably hope to be a founder member of the European single currency, although both organisations warned the government not to lower its guard.

"There have been few countries where the budget deficit has improved as much as in Italy," said Stanley Fischer, the IMF's first deputy managing director, in Washington.

Latest data show the treasury on course to reduce the public sector deficit to 3 per cent of gross domestic product this year, as demanded by the Maastricht Treaty for euro aspirants – down from 6.7 per cent in 1996.

The IMF report saw Italy recording a deficit/GDP ratio of 3.2 per cent in 1997, but Confindustria, using more up-to-date figures, said the ratio would "be close" to 3.0 per cent.

Prime Minister Romano Prodi faces a battle of nerves over welfare reform with his hard-left allies, Communist Refoundation, if he is to achieve further substantial cutbacks. *Reuters, Rome*

■ MOBILE PHONES

Rome discrimination warning

The European Commission has warned Italy that it faces legal action for discriminating against Omnitel Pronto Italia, the mobile phone company.

The competition commissioner, Karel Van Miert, said in a letter to Italy's post and telecommunications minister, Antonio Maccanico, that he was most surprised to find that Omnitel had not yet received L60bn ($34m) from Telecom Italia Mobile in partial compensation for a fee paid to operate mobile phones.

Omnitel, a consortium led by Olivetti, the information technology group, paid L750bn in return for becoming Italy's second mobile phone operator in 1995, although Telecom Italia's cellphone unit was not charged any such licence fee.

After Commission pressure, the Italian government agreed that TIM would pay L60bn to Omnitel through a reduction of the price to interconnect with the network of Telecom Italia, which until recently held a monopoly. Mr Van Miert said that unless measures were taken soon, he would be forced to propose to the Commission, in the next few weeks, that Italy's government should be sent a warning letter for failing to take corrective measures.

A warning letter is the first step in EU infraction proceedings which could culminate in the European Court of Justice. *Reuters, Brussels*

■ POLISH CREDIT

Savings boost sought

The National Bank of Poland will start collecting deposits from individuals on September 15 to increase savings and slow a dangerous expansion of credit, its president, Hanna Gronkiewicz-Waltz, said yesterday. "Our goal is to increase the propensity to save and to limit consumption," she said.

The central bank hopes to collect between one and two billion zlotys ($288m – $576m) from the public by offering attractive rates of 21.5 per cent for six-month and 22.5 per cent for nine-month deposits, compared with the average 19-20 per cent interest on six-month deposits in commercial banks.

Mrs Gronkiewicz-Waltz said the bank might use other monetary policy instruments to curb credit expansion and cool domestic demand if the deposit collection proved insufficient.

Mrs Gronkiewicz-Waltz said the 1998 budget deficit should be cut to at least 1.5 per cent of GDP, against this year's planned 2.8 per cent shortfall, in order to keep Poland from falling into a current account crisis.

She warned that the central bank's policies will only prove effective if the Polish government exercises fiscal restraint. *Reuters, Warsaw*

■ CROATIAN POLITICS

Finance minister quits

Croatia's government announced yesterday that Bozo Prka, the finance minister, had resigned for personal and family reasons and would be replaced by Borislav Skegro, vice-premier in charge of the economy.

Both men are seen as the main driving forces behind Croatia's efforts to implement sweeping reforms and integrate the newly independent country's economy with Europe.

Niko Bulic, minister for tourism, also submitted his resignation. His departure follows a scandal involving his wife who, using her maiden name, was declared winner of a national competition to think up a new tourism slogan for Croatia. *Guy Dinmore, Belgrade*

NEWS: EUROPE

Unrepentant 'Mr No' shoulders blame on Cyprus

Denktash says that Turkish Cypriots are victimised for 'refusing to be colonised by Greece'

Rauf Denktash, the Turkish Cypriot leader, is in a bitter mood. The first peace talks in three years with his old Greek Cypriot adversary, Glafcos Clerides, collapsed in August, leaving the Cyprus problem bogged down even more deeply in mutual suspicion and fear.

Moreover, as has become usual over several decades of fruitless talks, it is Mr Denktash who is blamed for derailing the United Nations-organised negotiations in Montreux. The UN Security Council accused him of "impeding substantive progress", while commending Mr Clerides for his "flexibility" and "co-operation".

Mr Denktash is unrepentant. "I know that, whatever I do, I will be known as Mr No, the one who is always intransigent," he said in an FT interview. Progress is being blocked, he maintained, not by the stubbornness of an old man, but by "the rest of the world that does not see the realities of Cyprus".

More than ever, he feels that a vindictive world is victimising the Turkish Cypriots "for refusing to be colonised by Greece".

Mr Denktash, 73, is unwell. He suffers from diabetes and had a heart attack last year, and his skin exudes an unhealthy pallor. Only a canary, occasionally bursting into song from its cage in his office in the divided capital of Nicosia, alleviates the gloomy atmosphere.

He blamed the failure of Montreux on the European Union, which in July confirmed that it would open accession talks with the Greek Cypriot government in 1998, while again rejecting Turkey's membership application. Mr Denktash said that, far from moving Cyprus closer to reunification, EU membership would bring the Union's policy towards Cyprus and Turkey under the spell of a malevolent "Greek moving spirit".

Until the EU backtracks, Mr Denktash warned, he will not return to the negotiating table. "I will agree to see diplomats, but not to talk about the Cyprus problem, because it is a waste of time to hear the same thing from them. It is clear that they are not going to take into account the legal rights of the Turkish Cypriots," he said.

Instead, he will move his entity of 200,000 people closer to Turkey, which has given "us the help and justice and sustenance which the world has refused".

A man walks down the deserted and overgrown main street of Varosha in Northern Cyprus, formerly a bustling Greek tourist resort. Inset: Rauf Denktash, Turkish Cypriot leader, who has threatened to take his entity closer to Turkey

Decades of communal violence culminated in an abortive pro-Greek coup in 1974 that led to Turkey's invasion of northern Cyprus, where it still keeps over 30,000 troops. Ankara is the only capital to recognise Mr Denktash's Turkish Republic of North Cyprus, and keeps its economy afloat with subsidies.

To some diplomats, this is the outcome Mr Denktash has always sought. They say his narrow, legalistic approach is a pretext for evading serious negotiations.

Instead of risking erosion of his power base through a power-sharing formula, he can strengthen his political grip by controlling distribution of patronage that would flow from a Turkish-backed economic renaissance.

Mr Denktash's claim that partition is the only way to protect the north from future Greek Cypriot attacks resonates with his fellow Turkish Cypriots, but strikes Greek Cypriots as a distortion of the truth.

Propaganda machines on both sides never allow the memories of massacre and expulsion to fade. Suggestions that EU membership, or a security umbrella by the UN or Nato, could replace Turkey in protecting Turkish Cypriots carry little weight in the north. Yet by turning his back on a negotiated solution, Mr Denktash contributed to the unravelling of a joint Greek-Turkish commitment at July's Nato summit in Madrid "to settle disputes by peaceful means, based on mutual consent and without use of force or threat of force".

After returning home from Montreux, he stated that Greek Cypriot EU membership "under the title of the government of Cyprus will strip the Turkish Cypriots of their rights. And the remedy to this is a war."

Although western countries strongly criticised Mr Clerides for ordering Russian S300 medium-range missiles in January – which Turkey said it "will hit" – Mr Denktash's unyielding stance has since taken some of the edge off their anger.

Taunts and threats of war are commonplace in Cyprus, but there is always a risk that a clash drawing in Turkey and Greece could be triggered by a miscalculation. Although Turkey and Greece are both Nato allies, they came to the brink of conflict over control of two uninhabited Aegean islets last year.

Still, the diplomats are not giving up. Washington has begun a new effort to bring Mr Denktash back to the negotiating table by dispatching Tom Miller, new US special Cyprus co-ordinator, to prepare the ground for Richard Holbrooke, US foreign policy troubleshooter.

Perhaps the principal victims of the failure to settle the Cyprus crisis that has festered since independence from Britain in 1960 are Mr Denktash's own citizens.

Every year without an accord with the Greek Cypriots undermines the economy and drives the community's next generation to seek their futures in Turkey or in Britain, now home to more Turkish Cypriots than Northern Cyprus.

John Barham

Mediators seek to avert Bosnia poll boycott

By Guy Dinmore in Belgrade

Senior international mediators held talks in Belgrade yesterday with Yugoslavia's president, Slobodan Milosevic, and hardline Bosnian Serb leaders in an effort to avert a boycott of municipal elections in Bosnia this weekend.

Carlos Westendorp, the civilian High Representative to Bosnia, said the meeting had produced no concrete results but that Mr Milosevic had expressed his support for the elections – with reservations.

Also taking part in the talks were Mr Westendorp's deputy, General Jacques Klein of the US, and the Bosnian Serb member of Bosnia's tripartite presidency, Momcilo Krajisnik. One diplomat quoted Gen Klein as saying he was hopeful that the Serb Democratic party (SDS), which rules the Serb-controlled half of Bosnia, would not carry out its boycott threat.

Diplomats said it was possible a deal would be hammered out behind the scenes that would involve Brcko, a strategic Serb-controlled town in northern Bosnia that Moslems and Croats could win in the local elections thanks to a large number of votes cast by refugees in absentia.

Gen Klein helped negotiate the release on Tuesday of Mr Krajisnik who, along with more than 70 aides and bodyguards, was trapped in a hotel in the northwest Bosnian town of Banja Luka by police and a mob loyal to Biljana Plavsic, the western-backed Bosnian Serb president.

Mrs Plavsic, locked in a power struggle with hardline nationalists led by Radovan Karadzic, who has been indicted for war crimes, accused Mr Krajisnik of plotting to take over the main Banja Luka police station and her own offices.

British and US Nato peacekeepers on Monday prevented several thousand supporters of Mr Karadzic from staging an anti-Plavsic rally in Banja Luka.

The SDS, largely loyal to Mr Krajisnik and Mr Karadzic, has threatened to boycott municipal elections to be held across Bosnia on Saturday and Sunday, the first such polls for seven years. Mrs Plavsic has urged Serbs to go out and vote against the hardliners based in Pale in eastern Bosnia.

Diplomats said Mr Milosevic had the power to persuade the hardline faction to take part in the elections but was unwilling to back Mrs Plavsic, his long-time rival, for fear of losing the support of nationalist voters ahead of Serbia's own parliamentary and presidential elections on September 21.

The Bosnian Serb parliament was expected to meet late yesterday on Mr Krajisnik's return from Belgrade to decide whether to back the SDS boycott call.

Parliament in Russia likely to reject budget

By Chrystia Freeland in Moscow

The Russian parliament is likely to reject the government's tough 1998 budget when it comes up for its first reading some time over the next few weeks, senior lawmakers said yesterday.

"This draft has very few chances of being adopted in its first reading," said Mikhail Zadornov, chairman of the budget committee of the Duma, the lower house of the Russian parliament.

The belt-tightening budget has been lauded by cabinet ministers and western economists as the first Russian budget which realistically estimates revenues and expenditures.

However, Mr Zadornov, a member of the liberal Yabloko party, drew attention to shortcomings in the budget which could make its passage through the parliament turbulent. One of these was the government's assumption of 2 per cent growth next year, which Mr Zadornov described as "not substantiated in any way".

Mr Zadornov also accused the government of being overly ambitious in predicating the 1998 budget on the assumption a new tax code would already be in force from the beginning of next year. He said this prediction was unrealistic, given the complexity of the tax code.

Mr Zadornov added that plans to slash federal transfer payments to Russian regions were likely to encounter opposition in the Federation Council, the upper chamber of parliament, which is composed of Russia's elected regional governors.

His cautions were echoed by Gennady Zyuganov, the communist party leader, whose faction is the largest group in parliament. Mr Zyuganov described the draft budget as "malign" and said the government's economic policies had created "chaos" in the country.

Failure to push the 1998 budget through parliament before the beginning of next year would be embarrassing for the Kremlin, which is seeking to prove to foreign investors and the Russian people that after nearly a decade of political and economic turbulence Russia is moving towards stability.

India 'less exposed' to currency turmoil

By Mark Nicholson in New Delhi

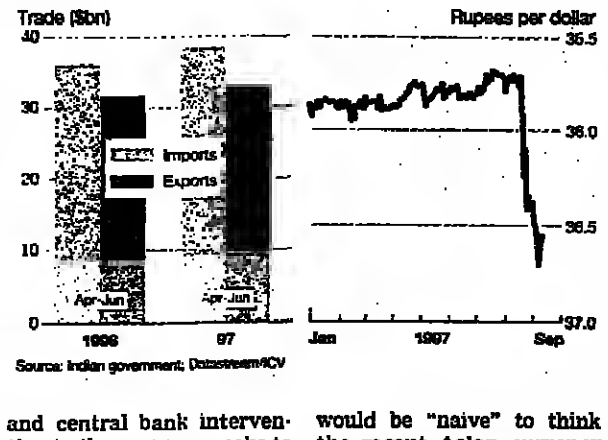
India's senior economic policymakers yesterday said the country was "alert" to some "spillover" from south-east Asia's currency crisis, but insisted tbe economy was "sounder" and "less exposed" than its eastern neighbours.

The officials also pledged continued central bank intervention to steady tbe recently weaker rupee, but said they were confident it would not be as sharply buffeted as currencies in Thailand, Malaysia or indonesia.

The comments follow a sudden tbough modest 2.5 per cent depreciation of the rupee in mid-August after several months of stability, and central bank intervention in the past two weeks to arrest a steeper slide.

P Chidambaram, finance minister, told a hriefing for Indian journalists, that it would be "naive" to think the recent Aslan currency turbulence had not affected India. But he said: "I am not of the view that we are affected to the same degree."

India



Source: Indian government; Datastream/ICV

He argued that india was running a far lower current account deficit as a proportion of GDP – at an expected 1.5 per cent this year – than the south-east Asian economies, and that India's banking system was less exposed and carried a smaller proportion of short-term borrowing.

Mr Chidambaram said the Reserve Bank of India (RBI), the central bank, would continue to intervene to prevent speculation. Currency traders in Bombay said yesterday the RBI had sold up to $400m in dollar spot and forward markets on Tuesday to stabilise the rupee, and was again active in both markets yesterday. India has foreign exchange reserves exceeding $24bn, amounting to more than seveo months' imports.

The remarks firmed the rupee to trade around Rs36.5 to the dollar yesterday. It hit an 18 month low of Rs36.7 on Tuesday.

The rupea's fall from a steady Rs35.7 until mid-August to present levels was initially sparked by a speech in August by Y.V. Reddy, RBI deputy governor, noting the rupee had appreciated by 14 per cent in real terms since 1993, on a trade and inflation weighted basis.

Other reported comments by top officials followed, suggesting the rupee's strength had contributed to India's recently weak export performance. Exports last year rose just 4 per cent in dollar terms, against 21 per cent a year earlier.

Officials have since backtracked on linking the rupee's appreciation and export prospects, while the RBI has consistently intervened to slow a rupee slide which dealers said represented strong demand for cover from local companies.

Until mid-August, the RBI had been selling rupees for dollars to arrest an appreciation in the currency prompted by strong capital inflows, of both foreign direct and portfolio investment. Actual FDI flows for the first two months of this fiscal year at $866m were twice the level for the period a year ago.

Most market players now think the government is trying to allow a managed rupee depreciation to restore export competitiveness.

NEWS DIGEST

Telstra faces rival's lawsuit

Optus, the Australian telecommunications group, yesterday launched a lawsuit against its bigger rival, Telstra, alleging misuse of market power. The suit, whicb Optus said was in the "ballpark" of A$800m-A$900m (US$580m-$657m), comes just a few months before the government privatises one-third of Telstra.

The allegations centre on three issues: local call access, number portability wben customers switch telephone companies, and cross-subsidies from Telstra's local call market to its Foxtel pay-TV service.

Optus said abuses in these areas by Telstra inhibited its ability to compete. Telstra, which described Optus's move as a "very dramatic and audden attack", said it was "disappointed that so early in the new environment they have decided to go to courts". However, it said these were not new business issues and they had already been factored into plans for the float, expected in November. Telstra is also involved in litigation with a number of service providers over alleged non-payments.

Optus said its motivation for the lawsuit, which will be heard in March at the earliest, was to "force a change of behaviour from Telstra". *Elizabeth Robinson, Sydney*

■ HONG KONG

Tung sees universal suffrage

Hong Kong's first Chinese chief executive said yesterday that, if Beijing agreed, universal suffrage in the territory could be achieved after a 10-year phase-in period. Tung Chee-hwa said Hong Kong was moving toward greater democracy "in an orderly manner, a manner we feel is in the best interests of Hong Kong".

"Universal suffrage is the ultimate aim," he said in Washington. Mr Tung – who is on his first trip to the US since China regained control of the former British colony in July – has been on the defensive over plans for the first legislative elections under Chinese rule scheduled for next May.

The elections are to take place under a proportional scheme that critics say was designed to cap the number of seats the opposition Democratic party can win. One-third of seats will be chosen by restricted "functional constituencies" made up of companies, banks and professional associations. *Reuters, Washington*

■ INTEREST RATES

Philippine car sales fall

Philippine car sales fell 4.5 per cent to 55,826 in the first eight months of the year. The Chamber of Automotive Manufacturers of the Philippines blamed the fall on the recent rise in interest rates dating from speculative pressure on the peso in July. Banks have lifted prime lending rates to as high as 35 per cent from 15 per cent. The tight liquidity squeeze has driven rates upwards and the number of defaulters on car loans – which have fuelled the banks' aggressive credit growth – is also expected to rise significantly.

"With reduced car sales and lower demand for electricity, there is more than enough evidence indicating an economic slowdown," said Chris Hunt, research bead at Indosuez W.I. Carr in Manila. *Justin Marozzi, Manila*

S Korean minister urges fast reform

By Peter Montagnon and John Burton in Seoul

South Korea's finance minister, Kang Kyong-shik, has defied critics in his own ministry with a bold call for an acceleration of economic and financial reform in response to a succession of large corporate failures this year.

Speaking in the aftermath of this week's collapse of the Jinro drinks conglomerate with $3.5bn of debt, he blamed the spate of bankruptcies on the failure of husiness and banks to adjust to the changing environment brought about by Korea's increasing integration with the world economy.

His message will have irritated some of his own senior officials who have heen privately urging the government to go alow on reform and concentrate on staving off other failures – including that of the troubled Kia motor group which faces a new debt deadline at the end of the month. But yesterday Mr Kang was undeterred.

"Some critics say that I should focus on current problems rather than pay attentioo to the distant issues of the 21st century," he told a conference organised by tbe International Herald Tribune. "However, I helieve these issues need to he tackled Immediately, instead of being delayed to the next century if Korea is serious about joining the ranks of the developed countries."

Among priorities should be the promotion of small and medium-sized enterprises with less reliance on development centred on large conglomerates "which seems to have contributed to the economy's difficulty in adjusting," he said.

Korea's famously *dirigiste* government must reduce its direct intervention in the private sector to a minimum, promote competition and transparency in business activities and make its economic and social systems more flexihle, he said.

Mr Kang has emerged as a rare cbampioo of market-oriented reform amid increasing concern about the financial weakness of banks and leading companies. But he faces a struggle to push through change. He was appointed only in March and economists say his chances of accelerating reform are limited as politicians call for measures to avert further crisis ahead of December's presidential elections.

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Bankruptcies give warning to tightly stretched banks

By John Burton in Seoul

The bankruptcy this week of Jinro, South Korea's largest liquor maker, underscores the challenge for Seoul in preventing financial turmoil similar to that affecting south-east Asian markets.

Jinro ls one of five conglomerates that have either collapsed or been placed under bankruptcy protection this year. The unprecedented wave of big corporate insolvencies haa threatened the stability of the hanking sector, which is heavily exposed to the natlon'a highly leveraged industrial groups.

The main commercial banks are threatened witb a downgrade in their international credit ratings, which would raise overseas borrowing costs. This bas led to renewed pressure on the Korean currency, the won, as companies seek US dollars in anticipation of increased rates for foreign-currency loans.

The government has been at pains to assure foreign investors that South Korea is in no danger of a financial meltdown as it seeks to encourage a continued inflow of capital from abroad.

State guarantees have recently been offered on overseas borrowing hy Korean banks to remove foreign worries abont possihle loan defaults. In addition, the government last week decided to provide Won1,000bn ($1.1bn) in low-interest rescue loans to Korea First Bank to help restore its credibility with foreign investors. Korea First has been the worst hit by the corporate bankruptcies. It reported the biggest ever loss for a Korean bank at Won356bn for the first half of 1997.

Another Won1,000bn in special loans was given to investment hanks specialising in ahort-term corporate lending to persuade them not to withdraw financing from trouhled industrial groups, which has been a main cause for the string of bankruptcies.

"Government snpport for the banks is absolutely necessary to avoid a financial panic," said Park Ung-suh, president of the Samsung Economic Research Institute.

But the bankruptcy of Jinro has raised the prospect that the government may be forced to provide more financial aid to the banking sector if bankruptcies continue.

The banks have sought to brake the round of collapses by giving troubled conglomerates a temporary reprieve from debt payments and provide them with a grace period to raise new cspital through asset disposals.

Bnt the programme has been largely unsuccessful, as shown in the case of Jinro, which was the firat beneficiary of the anti-bankruptcy prevention policy. The banks have blamed the failure on the unwillingness of the conglomerates to implement radical restructuring.

Tha banks recently announced that companies seeking protection in the future must submit a written pledge relinquishing management control and gain trada union consent to job cuts.

A key test of this tougher policy will come at the end of the month, when the grace period for Kia car group, the nation's eighth largest conglomerate, is set to expire. Kia's management has refused to step down despite banks' demands.

The public and politicians are urging the government to intervene to save Kia and avoid huge job losses resulting from plant closures. The finance minister is supporting the banks' stern approach as a necessary step to reduce excess production capacity that is a prime cause behind Korea's current economic woes.

CONTRACTS & TENDERS

INVITATION TO BID

1. MAHART Hungarian Shipping Company (hereinafter referred to as "the Caller") is hereby announcing a single-round open tender for bidding on 49% of its shares of MAHART Seatrade Ltd (hereinafter referred to as "the Company") whose head offices are located at 1052 Budapest, Apáczai Csere János u. 11. (Company registration number: 01-09-264492/05)
The Company's subscribed sbare capital is HUF 288.630.000 or Twohundred and eighty-eight million forints owned 100% by the Caller.

2. Applicants may be local or foreign natural persons, legal eotities or their consortiums.

3. Bids may be submitted for 49% of the Company's subscribed share capital valued at HUF 141.430.000 (Onehundredandfortyone million fourhundredandthirtythousand forints) exclusively with an offer in ready cash.

4. Five copies of the tenders must be submitted in Hungarian to the address mentioned in item six in sealed and unmarked envelopes. Foreign bidders may submit their tender in English and German as well as the five Hungarian counterparts, but even in these cases the Hungarian counterpart will prevail.
The bids must be submitted in person or by proxy and in the presence of a notary public within the prescribed timeframe
The following text must appear on the envelope: "MAHART Seatrade Kft. PÁLYÁZAT".

5. Bidders must mark the original counterpart "EREDETI" [ORIGINAL]. Should a bidder fail to do so the Caller will choose one of the counterparts to serve thereinafter as the original counterpart. If there are any differences between the counterparts the contents of the counterpart that is so marked will prevail.

6. Bids must be submitted on Oct 31, 1997 between 10:00 AM and 12:00 noon.
Bids are to be submitted at:

MAHART 1052 Budapest,
Apáczai Csere János u. 11. Second Floor, Room 224
Bids will be evaluated before November 20, 1997.

7. The purchase prize is to be paid in cash only which the applicant must pay in cash or make a casb transfer no later than ten days after the date the sale contract comes into effect. The bidder must declare in advance the method of payment. Foreign bidders are only entitled to make their bids in foreign currencies that the National Bank of Hungary accepts as convertible. The Caller will consider foreign currencies at the National Bank of Hungary's officially huying rate of exchange effective at the time the bids were submitted.

8. A commitment to the bid for 120 (onehundred and twenty) days from the time the bids are submitted is a condition for the bidding.

9. In order to prove their intent to purchase, bidders must, before the bid submission deadline pay or transfer HUF 10.000.000 (Ten million) or the equivalent in foreign exchange as earnest money to the account designated by the Caller.
The Caller will handle this sum in accordance with the regulations governing earnest money.
The Caller will consider foreign exchange at the National Bank of Hungary's officially announced buying rate of exchange at the time the bids were submitted.

10. After the evaluation the final decision will be made by the Caller. Thia must be approved by ÁPV Rt. (State Privatisation Agency) which in exceptional cases reserves the right to declare the bidding process null and void eveo if there are valid bids.

11. The detailed invitation to bid and the Information Memorandum prepared by the Company which contains significant economic information that is important in terms of bidding, both constitute integral parts of the present invitation to bid.

12. Purchase of the detailed bidding materials, which includes the the detailed invitation to bid, for HUF 20.000.- (twenty thousand) + VAT is a prerequisite for submitting bids. A confidentiality statement must be signed in order to purchase the bidding materials. Bidders (in consortiums, one of the authorised members) must purchase the bidding materials directly from the Caller in person or by proxy. The Caller will issue a voucher as proof of purchase. These documents can be purchased at the following address:

MAHART 1052 Budapest,
Apáczai Csere János u. 11. Second Floor, Room 224
weekdays between 9-12 AM.

Proxies are obliged to prove their legitimacy and extent of their authority with notarized documents or private documents with full probative force. The Caller will check authorizations.

13. Information about the Company's principal characteristics and features can be obtained from the persons specified below once the invitation to bid has been announced.

Dr. Károly Mizik	**Mrs. József Szirmai**
Managing Director	Head of Department
Tel.: 1189-844	Tel.: 117-1331

at 1052 Budapest, Apáczai Csere János u. 11.

Japan's gangs feel the heat

A recent upsnrge In gangland sboot-outs in Japan has provoked unprecedented public protest and led this week to the largest police operations to be mounted against the country's *yakuza* gangs.

Since Monday, more than 1,300 police have raided offices of Japan's largest criminal syndicate, Yamaguchi-gumi, and rival gangs, whicb they believe are engaged in a violent power struggle. Yesterday, they arrested eight gangsters and searched nearly 80 sites in Tokyo.

The Tokyo police chief, Koji Takito, told precinct heads on Monday that the gang conflict "could develop into a national problem".

The raids followed a series of shcoting incidents which police believe were triggered by the murder last month of the Yamaguchi syndicate's number two don, Masaru Takumi. Mr Takumi was the leader of Takumi-gumi, the largest member gang of the Yamaguchi syndicate.

Police stand guard yesterday as investigators raid the Tokyo office of Yamaguchi-gumi, a gangster group Reuters

Mr Takumi was shot dead hy four armed men in a luxury botel in the port city of Kobe. His death prompted hundreds of protesters to demonstrate yesterday outside Yamaguchi-gumi's Kobe headquarters, demanding an end to violence.

Since the Takumi killing, there have been 12 shcotings believed to be directly connected to Mr Takumi's murder. Police say Mr Takumi was killed by another one of Yamaguchi-gumi's member gangs, which had challenged his authority and his efforts to streamline the group.

The recent violance and the police crackdown highlight changes taking place in the shady world of the *yakuza* crime syndicates and *sokaiya* corporate extortioniats. The clichéd image of the tattooed, punch-permed thug is slowly being transformed into a more aophisticated criminal in a suit, with spreadsheets under his arm and a gun inside his jacket.

But as they become more sophisticated in their methods, *yokuza* are becoming more violent. Investigators believe tough new rules on corporate corruption and growing shareholder anger against companies with ties to racketeers are putting extrema pressure on Japan's once-formidable underworld.

The Yamaguchi syndicate is composed of 110 member gangs, comprising a total of nearly 19,000 gangsters and accounting for 40 per cent of the country's full-time *yokuza*, according to the National Police Agency.

Syndicate member gangs have to pay contributions of at least Y1m ($8,400) a month. The gangs were at their peak in the 1980s bubble economy, when *yokuza* increased their involvement in property development and other businesses.

Bnt the introduction in 1992 of tough new laws against organised crime hit the traditional businesses of *yakuza* gangs, including illegal gambling, drugs and prostitution, and eroded tbeir membership. Many gangs diversified into *sokaiya* – corporate extortion – and financial activities such as money laundering and loan-sharking.

Police say there are now about 1,500 big-time *sokaiya* racketeers, abont half the number just two years ago.

The aurvivors, bowever, have moved on to higher planes of fraud and financial crime. Tha government is drawing up tougher measures against racketeers and harsher penalties against offending companies, following the recent wave of *sokaiya*-related scandals engulfing Japan'a leading brokers.

Gwen Robinson

CONTRACTS & TENDERS

GOVERNO DA BAHIA

INTERNATIONAL CALL FOR BIDS NO. 003/97
FEDERATIVE REPUBLIC OF BRAZIL
STATE OF BAHIA
PROMOTING ENTITY: STATE OF BAHIA HIGHWAY DEPARTMENT - DERBA

THE STATE OF BAHIA HIGHWAY DEPARTMENT, CGC No. 15.211.519/0001-95, through the Permanent Commission for Bids, makes public that at 3:00 p.m. on October 31, 1997, in the meeting room of the Executive Group for Bids, located on the ground floor of the Headquarters of DERBA, Centro Administrativo da Bahia - CAB No. 445, 4ª Av., Avenida Luiz Viana Filho, Salvador, BA, will receive Qualification Documents and Price Proposals for the execution of services of Improvement and Paving em CBUQ (Hot Milled Asphalt Concrete) of highway: BA - 001, section: Porto Seguro / Trancoso, 48.61 km and access to Arraial D'Ajuda, 11.25 km, described in the call for bids.

The funds for the execution of the services object of this call for bids, are forthcoming from the Northeast Tourism Development Program - PRODETUR / NE, which are partially supplied by funds of Loan Nº 841/OC-BR, signed between the Inter American Development Bank - IDB and the Banco do Nordeste do Brasil S.A. - BNB and the financial counter-part corresponding to the State of Bahia, according to Law No. 6959 of July 04 1996.

The complete documentation of the call for bids may be purchased at the Executive Group for Bids located on the ground floor of the Headquarters of DERBA, Centro Administrativo da Bahia - CAB No. 445, 4ª Av., Avenida Luiz Viana Filho, Salvador, BA, during the period of September 16, 1997 to October 31, 1997 from 1:00 p.m. to 7:00 p.m., upon payment in the amount of R$ 150.00 (one hundred and fifty reais).

ROBERTO BARRETO PEREIRA
PRESIDENT OF THE EXECUTIVE GROUP FOR BIDS

DERBA

Albright to urge Arafat to halt terror

By Judy Dempsey in Jerusalem

Madeleine Albright, US secretary of state, will today *tell Yassir Arafat*, president of the Palestinian Authority, to "root out the terrorist infrastructure" following the two recent suicide bomb attacks in Jerusalem which killed 25 people.

Bnt she also publicly warned Benjamin Netanyahu, Israeli prime minister, against taking unilateral actions that "undermined the peace process with the Palestinians". Speaking yesterday after a longer than scheduled meeting with Mr Netanyahu on her first visit to the region since taking office, Mrs Albright told Israel it had "a responsibility to shape an environment which will give that process a chance to succeed. This means that Israel should be taking steps that huild confidence and should refrain from actions that undermine that confidence and trust".

Choosing her words carefully, Mrs Albright did not refer directly to Israel's unilateral policy of expanding and huilding new settlements.

But her remarks were welcomed by Palestinians who until recently were critical over Wasbington's lack of even-bandedness in the peace process.

"I appreciate very much that sbe spoke sbout pre-emptive measures," said Saeb Erekat, Palestinian chief negotiator in the peace talks. "Real peace cannot be achieved through building settlements and confiscating land."

But Mrs Albright was anxious to dampen any expectations of a significant breakthrough in the peace process, saying her only immediate aim was to "do what I can to restore confidence".

Any confidence, she insisted, must also be based on the Palestinian Authority taking unilateral steps and actions to root out the terrorist infrastructure.

"I will be seeing Chairman Arafat tomorrow. My message will be clear. It is essential that Israeli-Palestinian security co-operation be serious, sustained and effective."

In a bid to "see something concrete from the peace process", Mrs Albright said sbe wanted to accelerate the final status talks – but not abandon the 1995 Interim Agreement that was supposed to grant limited autonomy to self-ruled Palestinian areas, and more land to the Palestinians, before the start of those talks.

The final status talks will focus on the future status of Jerusalem, the Jewish settlements, Israel's borders and Palestinian refugees.

Mr Netanyahu, an opponent of the Oslo accords and the establishment of a Palestinian state, had favoured by-passing the Interim Agreement and going directly to the final status talks.

Mrs Albright's determination to "marry" that agreement to the final status talks could, accordiog to diplomats, be the start of a more active involvement by Washingtoo to secure a final settlement.

Trying to lighten the poor man's burden

Robert Chote on the World Bank/IMF debt relief initiative for third world countries

The World Bank and International Monetary Fund have cut the estimated cost of their debt relief initiative for poor countries, but vigorous arm-twisting will still be needed at their annual meetings in Hong Kong later this month to secure the necessary financing.

The institutions estimate that reducing the debt burdens of 19 highly indebted poor countries to sustainable levels will cost around $7.4hn, although this would rise to $8.5bn if export growth in those countries were just 2 per cent a year lower than expected.

By the end of this week the IMF and World Bank boards should have reached agreement on deht relief packages worth $900m for three countries – Uganda, Bolivia and Burkina Faso – with a further $2bn or so in the pipeline for Mozamhique and Gnyana.

Ivory Coast is pencilled in for assistance too, hut has not agreed policy reforms with the IMF yet.

The estimated cost of the initiative has been reduced by $1hn since the institutions' spring meetings in April. Estimates of the debt relief possihle under existing mechanisms have been scaled up and projections of exports and government revenues have increased.

The institutions assume that countries can sustain ratios of debt (measured in net present value terms) to exports of between 200 and 250 per cent. Targets are then set for individual countries, taking account of factors such as their reliance on commodity exports.

These targets have or are expected to be set at 202 per ceot for Uganda (which already has a $340m relief package agreed), 225 per cent for Bolivia and 205 per cent for Burkina Faso. IMF and World Bank staff recommend a target between 200 and 220 per cent for Mozambique, implying a deht relief package of up to $1.5bn – one of the largest likely to be considered under the initiative.

A provisional target of 145 per cent has been agreed for Ivory Coast, following an amendment to the scheme agreed in April to help relatively open economies for which debt payments are a heavy burden on public finances. In these cases debt-to-export targets are set at levels equivalent to a debt-to-government-revenue target of 280 per cent.

Development lobby groups, such as Oxfam International, question whether these targets are low enough to ensure that countries do not fall back into an unsustainable debt position after they have been given relief. They also believe that debt relief is not being delivered quickly enough.

An important stumhling block for the initiative remains lack of agreement on how the burden of reducing countries' debt to these target levels should be shared between creditors.

The World Bank board believes tbat creditors should hear the costs of relief for a particular country in proportion to the amount of money it owes them. But the Paris Club of bilateral government creditors says it will increase the relief it offers on eligible debt up to 80 per cent from the 67 per cent available under the so-called "Naples terms", but that multilateral creditors – such as the IMF and World Bank – should pick up the remaining hill.

This is problematic for countries such as Mozambique, where the high proportion of its deht that is owed bilaterally means that even the most generous interpretation of 80 per cent relief would leave the multilaterals paying more than their proportionate share of the cost.

Taking the scheme as a whole, the World Bank's fully proportional approach would mean hilateral and commercial creditors paying $3.2bn and multilateral creditors $4.2bn. The Paris Club plan would shift another $500m from the bilaterals to the multilaterals.

Even under fully proportional burden-sharing, the World Bank is expected to face costs of $1.6bn in net present value terms. This is more than double the figure pencilled in 18 months ago and "close to the limit of affordability for the Bank", according to the summary of a recent board meeting.

James Wolfensohn, World Bank president, has said it will contribute about $2bn in nominal terms to the initiative, although bis officials say the Bank is effectively committed to paying whatever is needed to deliver debt sustainability. However, early hopes that the Bank might he able to help the cash-strapped African Development Bank finance its share of the costs now look less realistic.

Michel Camdessus, managing director of the IMF, recently warned his board that the money to pay for their share of the debt initiative may run out next year. An appeal for bilateral dooations toward the cost of the IMF's contribution – and that of putting its existing subsidised loan window for poor countries on a permanent footing – has raised less than half its target.

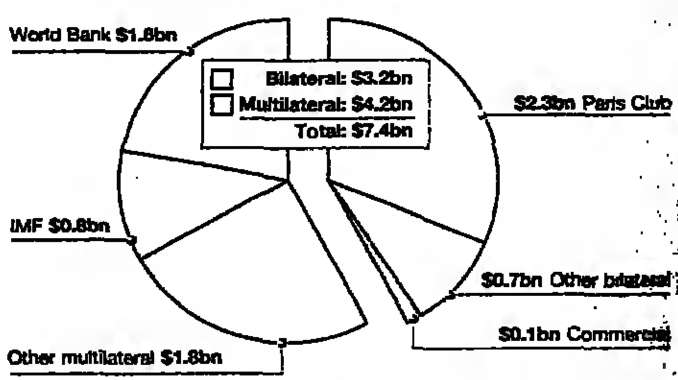
Slow progress on hilateral contributions means that it may not be too long before the Fund has to put the sale and reinvestment of part of its gold reserves back on the agenda. But officials expect Mr Camdessus to judge the mood cautiously before pressing this controversial issue in Hong Kong.

Against this background, there is nervousness in both institutions that Gordon Brown, the UK chancellor, will advocate an extension of the debt initiative at the Commoowealth finance ministers' in Mauritius next week. One mooted option would extend support to other countries – including several in Latin America and Francophone Africa.

Officials fear that re-opening tbe mechanics of the scheme for discussion – or increasing its scope – would divert atteotion from the immediate problem of financing the existing plans, for sake of some favourahle domestic beadlines.

As one official put it: "If he does come up with something new, then I bope he's bringing the money".

Poor countries: debt relief costs*



Source. Unpublished IMF/World Bank estimates

*Assumes cost of relief borne proportionately by creditors

Egypt builds up ambitions as finance centre

By Mark Huband in Cairo

Egypt will launch sweeping reforms this month aimed at turning its financial market into a modern, high-standard regional centre. The move comes amid expectations of a five-fold increase in stock market trade in the coming year.

Details of the reforms have emerged after more than six weeks of discussions involviog tbe Cairo Stock Exchange, the Capital Market Authority and the Economy Ministry.

Central to the modernisation will be the installatioo of a fully integrated computerised stock clearance system at the exchange.

The on-line real-time electronic trading system, which will have an indepeodent back-up and recovery capability, will accelerate transaction times, but is also the Capital Market Authority's respoose to malpractice among brokers.

"The technology will force the system to change. We are looking at all the trails. All the paper trails," said Sherif Raafat, the stock exchange chairman.

It is more than a year since the exchange saw trade surge with the launcbing of the government's large-scale privatisation programme, which has brought exchange capitalisatioo to E£64bn ($18.8bn). But it is only now that the government has a team in place regarded as competent to realign the institutional framework.

"I had under-estimated what was needed," said Mr Raafat, a former financier with the Cairo-hased Concorde International Investment, who was appointed stock exchange head in June.

Computerisation at the stock exchange is intended to facilitate the creation of a national and regional financial centre hased on Cairo. Mr Raafat intends to oversee a five-fold increase in daily trade to 100,000 trades a day.

A stock exchange team last week returned from visits to exchanges in London, Paris and Milan, having examined trading, surveillance and clearance systems.

A memorandum of understanding with the London stock exchange, on which six Egyptian global depository receipts (GDRs) are traded, is being discussed. A similar agreement was signed with the Seoul stock exchange in July.

The Cairo stock exchange has now signed a five-year partnership with Doo Calvin, a New York-based consultant who has advised on the restructuring of the São Paolo, Hong Kong and Kuala Lumpur stock exchaoges. The partnership will lead to the creation of a surveillance department at the Cairo exchange.

"We are looking for cross-enforcemeot with other exchanges," Mr Raafat said. "And companies which are listed will be required to make full disclosure of their finances."

With up to 35 per cent of capital inflows to Egypt originating in the Gulf states, Egypt also hopes to eocourage the creation of at least one mutual fund – probably in Kuwait – investing in Egyptian stocks on the Kuwait exchange. Equity issues and GDRs, marketed within the region, are also being considered.

Expectations of diminishiog interest in Egyptian stocks among non-regional portfolio managers remain a hig preoccupation, despite the current high level of activity. The new infrastructure is intended to create an efficient market within Egypt, using branches of tbe existing hanking network as a system of computer-linked outposts of the stock market.

"The aim is to have mutual, insurance and pension funds all participating," Mr Raafat said.

NEWS: THE AMERICAS

Battle lines form in US over 'fast-track'

By Nancy Dunne in Washington

Leading Republicans and Democrats were yesterday set to boycott President Bill Clinton's long-planned White House ceremony to launch his request for new trade negotiating authority.

Instead of the positive send-off the president had boped to give a "fast-track" request to Congress, the White House was in such disarray that its legislative proposal has yet to be written.

Mr Clinton needs fast-track authority to negotiate trade agreements in Latin America, Asia and the World Trade Organisation. Under fast-track, Congress would agree not to amend trade accords negotiated by the president, bnt simply to accept or reject them.

The White House is hobbled by feuding factions within the Democratic party and by demands from the Republicans that the president exclude labour and environmental provisions from future trade talks. A majority of Democrats – and their traditional supporters in unions and environmental groups – are demanding that new trade deals contain a social clause.

Among those intending to boycott yesterday's ceremony were Richard Gspbardt, tbe House majority leader, and David Bonior, House whip.

Republican House members said they would not come until the president had a bill ready, according to a spokesman for the US trade representative.

However, the president's old allies in the labour movement went to the White House – uninvited – to rally ontside the gates against a fast-track bill without labour and environmental provisions. With them was a mother whose child became ill after eating strawberries from Mexico.

"The delay [of the bill] just symbolises the problems you have when you are pushing a very unpopular piece of legislation," said Chris McGinn of Public Citizen, which opposes fast-track. Because of the North American Free Trade Agreement (Nafta) "people now are more cogniscent of the problems that trade agreements cause".

The unity of the opposition contrasted with the confusion in the administration. Last-minute objections from Senate Democrats were the key to delaying tha legislation, and Charlene Barshefsky, Trade Representative, met them to try to address their concerns. "The democratic leadership is absolutely paralysed with fear that this is going to be a huge Republican victory," said a Senate Democratic aide.

Planners are trying to spark life in town centres now quiet after dark

Heart massage for southern cities

Perched in his office in NationsBank's 60-storey headquarters above Charlotte, North Carolina, Jim Palermo is developing a plan for the city. "Our objective is to have a European model centre city in Charlotte," he says. "We want thet vitality."

The "European" model, with sbops, entertainment centres, sport and comfortable residential areas all within the city centre, barely exists in the US outside New York and Boston, whicb grew up before the invention of the motor car.

Now, the economic boom which has seen impressive growth for a range of cities across the so-called "New South" is being followed by concerted attempts to create new and vibrant inner cities.

Charlotte is a perfect example. A clntch of skyscrapers, built by NationsBank and First Union, now the nation's third and sixth largest banks respectively and both headquartered in the city, tower above the rural landscape.

The population of about 500,000 can now cboose between professional basketball and football teams, both brought to the city within the last 10 years.

Charlotte's city centre is clean, and boasts museums, childcare centres, a theatre, and a series of impressive sbopping arcades, most of them built at the ground level in NationsBank or First Union property.

What the city still lacks, as Mr Palermo might put it, is vitality. Downtown still seems oddly quiet, with little activity after dark. Injecting it with life is a priority for the private sector, and not for purely philanthropic reasons. According to Mr Palermo: "If there's a healthy centre city with life and vitality, then our assets in the city will be more valuable."

But Charlotte, in common with other sonthern cities, faces a hattle against historical forces which have seen the middle-class population desert inner cities for tbe suburbs. This weakens political will to improve a downtown area, whicb can be crime-infested after dark.

According to Marc Jordan, chief executive of the chamber of commerce in Memphis, Tennessee, another city attempting to rebuild from tbe centre: "We definitely have a different growth pattern than almost anywbere else in tbe world. It goes back to after tbe second world war – people came back, they got themselves their piece of land and their automobile, and they moved to where the fresh air was."

This creates a "Catch 22" for planners trying to build the infrastructure to recreate European town centres, and to make it easier for the inner-city poor to travel to work elsewbere in the conurbation. Cities like Memphis, which sprawls more than 20 miles east of the Mississippi, are too dispersed for rapid transportation systems.

"Unfortunately the majority of the people here are not dependent on public transportation, so there's no political will to do anything about it," said Mr Jordan.

Planners have to work to reverse tbese tendencies, creating residential areas near the city centre, and providing incentives for people to come to the centre.

Memphis's most dramatic gesture is a huge steel pyramid, more than 30 storeys high, and the tallest outside Egypt and Mexico. Built with pnblic money amid considerable controversy at the beginning of the decade, it houses a sports arena, regular home of the University of Memphis's basketball team.

It glints on the skyline above tbs newly created quiet residential streets of Mud Island, which sits in the middle of the Mississippi.

A trolley bus system bas provided the riverfront with some cobesion, and the presence of several entertainment centres in Beale Street, including clubs named after local beroes, BB King and Elvis Presley, have given suburbanites a reason to go downtown at least in the evenings.


ATLANTA SKYLINE: Olympics helped boost sport attractions in the city's centre.

But sport tends to be at the heart of any plan.

Charlotte's football Panthers are in a futuristic stadium in the middle of the city, and were snared only after concerted efforts by local businesses.

Hugh McColl, chief executive of NationsBank, keeps a sculpture of a black panther on his desk as a trophy, and the city is looking to add a major league baseball park.

Memphis is planning to build a minor-league baseball park in the heart of downtown, within three blocks of the Mississippi.

But the most dramatic use of sport to lever energy into the city centre came last year in Atlanta, when it hosted the Olympics.

The games automatically provided the city with some gleaming new sports facilities, such as the Olympic stadium, which has now been converted into an impressive new home for the mighty Atlanta Braves baseball team in a successful attempt to dissuade them from moving to the suburbs.

But in the longer term, they were more significant for forcing many competing interests to work together on a common plan. As Paul Kelman, of Central Atlanta Progress, a group of private sector employers in downtown Atlanta put it: "It gave everyone a deadline."

John Authers

NEWS DIGEST

Congress blow on encryption

A US Congress panel has dealt s serious blow to the
software industry by adding an amendment to a bill
giving the White House o veto over the export of
encryption software.

The bill is intended to liberalise controversial
restrictions on the export of the software, designed to
scramble messages sent via the internet. However by
allowing a veto, in cases which could threaten national
security, the industry thinks it has been put "back to the
status qno", according to the Business Software Alliance,
a group backed by ths software industry.

The industry had hoped to persuade members of
Congress that encryption programs do not pose a threat
to law enforcement. Exports of encryption software are
currently regulated under laws covering weapons sales.

The industry said it would redouble efforts to persuade
Congress to remove the restrictions on exports. It claims
that the curbs have cost the industry millions of dollars
in lost sales. *Louise Kehoe, San Francisco*

■ NEW YORK

Giuliani's challengers falter

Rudolph Giuliani, Republican mayor of New York City, yesterday looked increasingly certain to win re-election to a second term in November following an unexpected setback for Ruth Messinger, his main Democratic opponent.

Ms Messinger had expected to win a clear-cut victory in her drive for the Democratic nomination hut late on Tuesday night she was forced into a humiliating run-off after failing to win ths required 40 per cent of the Democratic vote.

Her campaign was upset by the combination of a dismal voter turn-out and a strong show of support for the Reverend Al Sharpton, who captured 32 per cent of the Democratic vote. The turn-out for the primary was the worst since the second world war, at 18 per cent of the city's 2.2m registered Democrats, reflecting the feeling that the Democrats are unable to mount a serious challenge to Mr Giuliani. *Richard Tomkins, New York*

■ ECUADOR

Oil price controls attacked

Ecuador's wholesale fuel marketing companies have called for the government to revoke the price controls and freeze on sales margins imposed last month.

Private wholesalers and retailers have invested more than $500m in modernising Ecuador's internal fuel distribution network since the market was liberalised in 1995. The framework introduced in 1994 required prices to be set by the market.

Since August 19, the gross margin between purchases of fuel from state oil company Petrocomercial and retail sale at petrol stations has been fixed at 18 per cent. This is costing the sector $1.3m a month in lost sales revenues said Fendisdepe, ths fuel retailers' organisation.

The Alarcon government, which took office in February, originally argued that a cnt in margins was necessary to achieve the fiscal deficit target of 2.7 per cent of gross domestic product for this year. But marketing companies say the cut did not serve this purpose because Petrocomercial did not raise its prices to them and therefore earned no more money for the government.

The government now claims the price controls were necessary to protect consumers. Private fuel marketers have been accused of forming an oligopoly to make excessive profits. *Justine Newsome, Quito*

■ COLOMBIA

Peso continues to slide

Tha Colombian peso has continued its slide against the US dollar, bringing relief to the country's exporters as well as the government, which has been insisting on an end to its long term strength.

An hour before the close yesterday, the peso stood at 1,252 pesos to the dollar, a depreciation of 5.63 per cent in three days. Devaluation so far this year now stands at a nominal 24.53 per cent, considerably above the central bank's target of 15 per cent for 1997.

Last year high real interest rates, together with one-off foreign direct investment, public and private borrowing abroad and expectations of a huge increase in oil exports, conspired to bolster the local currency.

But there is widespread concern that the latest devaluation is largely the result of dealer speculation. A lowering of interest rates in real terms coupled with peso liquidity in the financial system has led bankers to invest in dollars. "The devaluation we are seeing at the moment is artificial and unsustainable in the long term," said Miguel Camacho, director of economic analysis at Analdex, the Colombian exporters' association. Analysts have ruled out any regionwide spillover from the Colombian peso instability. *Adam Thomson, Bogotá*

■ ENVIRONMENTAL PROTECTION

Reforms of curbs urged

The US Environmental Protection Agency's role should be redefined to encourage "performance-based" clean-ups which give companies greater freedom to choose their method of curbing pollution, according to a report issued yesterday.

The report by the National Association for Public Administration, requested by the Senate panel which funds the EPA, said experiments with the performance-based approach should go on a proper legal basis. Such a policy "will encourage the private sector to innovate and find the least cost means to achieve environmental goals". *Bruce Clark, Washington*

New leader for Mexican PRI

By Leslie Crawford in Mexico City

Mexico's ruling Institutional Revolutionary party (PRI) will meet today to elect Mariano Palacios Alcocer, a former state governor and ambassador to Portugal, as its new leader.

Mr Palacios, a little-known deputy in the lower house of Congress, is expected to be elected unopposed. He emerged as a compromise candidate late on Tuesday, after weeks of intense horse-trading among the PRI's numerous power groups, which have grown more fractious since the party's beavy defeat in July's mid-term congressional elections.

The elections resulted in the PRI losing its absolute majority in the Chamber of Deputies for tha first time in seven decades, a blow which pnt an abrupt end to the political career of Humberto Roque Villanneva, the PRI leader, who resigned on Tuesday.

Althongh some party members had called for an open leadership contest, Mr Palacios's unanimous nomination appears to indicate President Ernesto Zedillo and a majority of factions within the party agreed to avoid a leadership battla that might have proved too bruising and divisive.

"Mr Zedillo needs a unified party to hold his ground against the opposition," says Federico Estévez, a professor at ITAM university in Mexico City. "He could not risk a democratic election within the PRI."

Instead, Mr Zedillo fell back npon the formula Mexican presidents have traditionally employed to appoint a leader for the ruling party. Three prominent party members were summoned to the presidential palace late on Tuesday where they were instructed to propose Mr Palacios as the consensus candidate. In Mexico, this process is known as the *destape*, or unveiling, which is immediately followed by a *cargada*, or stampede of party members to support the president's nominee.

The way in which Mr Palacios has been chosen has disappointed many observers. "Palacios begins with a big handicap because his election will lack legitimacy in the eyes of rank-and-file members," said one analyst.

Battle of the bonuses as firms fight for business graduates

By John Authers in New York

US management consultancies have stepped up competition with Wall Street for the brightest business school graduates, offering them higher starting salaries, aigning fees, and guaranteed bonuses.

A survey of recruitment this year by management consultancies, conducted by Brecker & Merryman, the New York personnsl consultancy, showed that average total compensation on offer to graduates of the top 20 US business scbools was $113,000. The average base salary has gone up from $77,000 to $83,000 since last year.

This is a reaction to last year's aggressive increase in recruitment attempts by Wall Street, when the largest "bulge bracket" investment banks increased starting salaries by 40 per cent. Previously, Wall Street firms had generally offered lower salaries than consultants, bnt offered the prospect of more generous parformance-related bonuses.

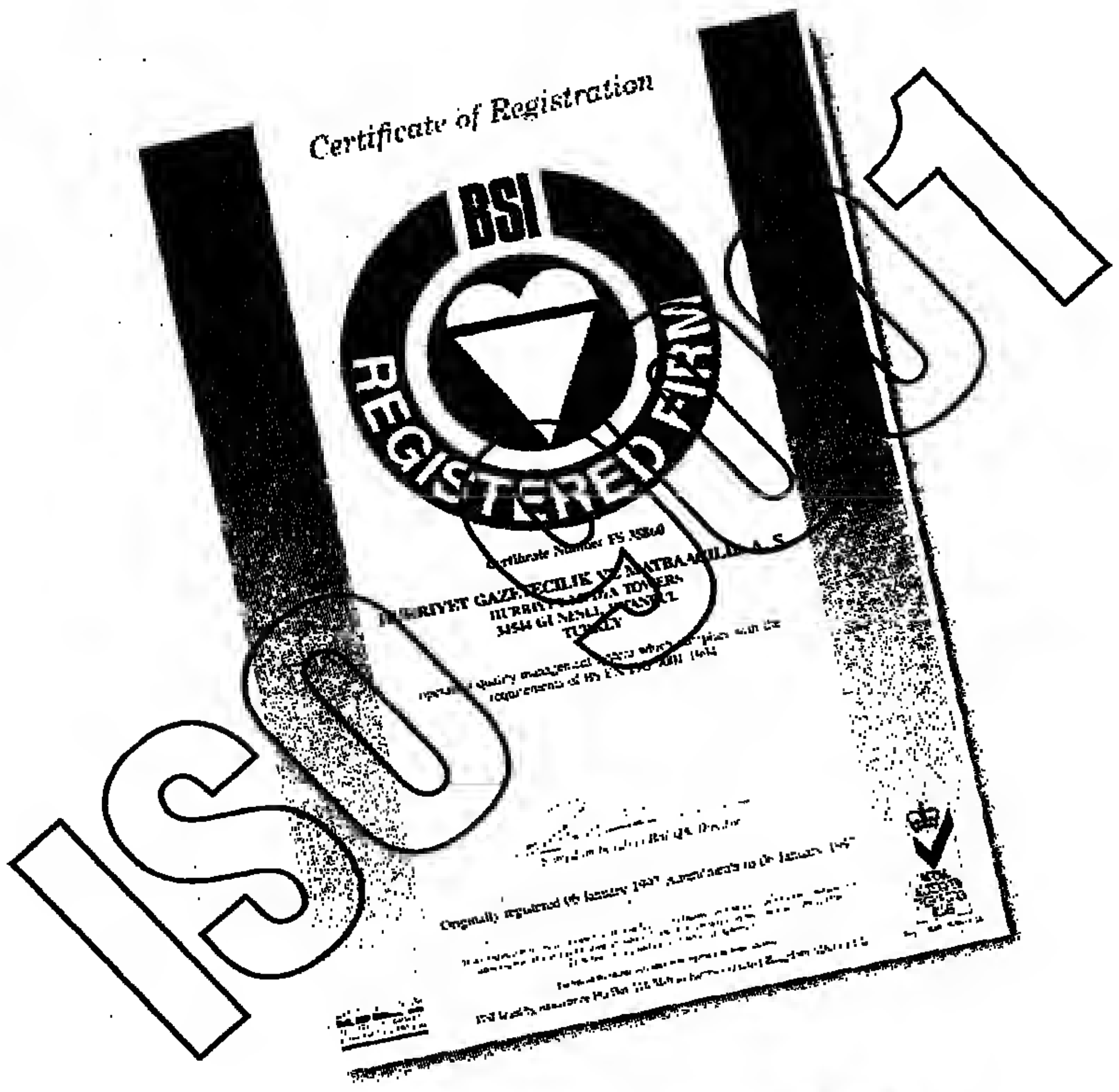
Consultants are now showing a readiness to "front-load" compensation packages this year – a practice widespread on Wall Street. Signing bonuses, at an average of $20,000 up to a maximum of $40,000, were offered by virtually all consulting firms. Some 47 per cent of consulting firms are also offering guaranteed bonuses, payable at the end of the first year and contingent on the firm's overall performanca. These averaged $12,000, with a high of $25,000.

According to Columbia University in New York, traditionally one of the most popular business schools with Wall Street firms, consultants are going to unprecedented lengths to attract students. One firm is even holding a seminar on interview techniques on Hallowe'en, at which all of its representatives will be in fancy dress.

The phenomenon appears to be a reaction to corporate "down-sizing". Karen Dowd, a senior consultant at tha firm which conducted tha survey, said: "Consulting firms have much more business now than they can handle; and they have almost unlimited opportunities for students. Because companies have gone through down-sizing, consultants now provide almost an out-sourced group of employees who are talented in dealing with strategy and marketing problems."

Companies in several industrial sectors have also increased recruiting. According to Tom Fernandes, placement officer at Columbia: "There's been so mucb down-sizing in the last eight to 10 years that there really isn't enough talent left in their own organisations."

"Hürriyet is the first and only Turkish national newspaper to receive the **ISO 9001** certificate..."



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TAP and Swissair forge alliance

By Peter Wise in Lisbon

TAP-Air Portugal and Swissair yesterday agreed on a strategic partnership expected to lead to the Swiss group taking a stake in the Portuguese airline when it is privatised.

TAP is due to sign other agreements to cement its membership of a worldwide alliance that also includes Delta Air Lines of the US and Sabena, the Belgian airline.

The partnership with Swissair includes a code-sharing agreement from mid-1998 that will enable each company to sell tickets on the other's flights.

TAP's partnership with Swissair, expected to be followed by agreements with Delta Air Lines, Sabena and Transbrasil by the end of October, involves developing a joint marketing strategy for the Portuguese and Swiss markets.

The two airlines are to co-ordinate timetables and introduce more flights between Portugal and Switzerland. The agreement also covers co-operation in technical services, maintenance, information systems, ground handling services, catering and common sourcing for onboard sales.

Philippe Bruggisser, Swissair president, said TAP's services to 10 African cities would provide the group with a better African service than any other international airline alliance.

Portugal's Socialist government has scheduled the partial privatisation of TAP, through the sale of holdings to strategic partners, for 1998 or 1999, after the heavily loss-making company has returned to profit.

The state is to remain an "important reference shareholder", but will consider giving up majority control, according to Mr João Cravinho, the planning minister.

TAP signed the agreement with Swissair two days after reaching a deal on productivity with pilots that has brought a series of strikes to an end.

Fujitsu backed in patent dispute

By Michiyo Nakamoto in Tokyo

Fujitsu yesterday won another round in its long-running dispute with Texas Instruments when a Tokyo High Court ruled that Fujitsu's semiconductors do not infringe a Texas Instrument patent covering key semiconductor technology.

The High Court ruling upholds a 1994 Tokyo District Court ruling that Fujitsu's semiconductors do not infringe the Kilby 275 patent, which covers basic technology for the manufacture of semiconductors. The High Court also rejected a suit by Texas Instruments against certain Fujitsu products under the same patent.

Richard Agnich, senior vice-president of Texas Instruments yesterday expressed concern over the ruling which, he noted, "reflects a lack of respect in Japan for protecting important intellectual property. This is not good for Japan, for Japanese industry or for innovation throughout the world," Mr Agnich said. Texas is to appeal to the Supreme Court.

The row over the Kilby patent dates back to 1991 when Texas Instruments sought royalties from Japanese semiconductor makers, including Fujitsu, based on the Kilby patent, which became effective in Japan in 1989. While other Japanese semiconductor makers settled with Texas Instruments, Fujitsu claimed that technological developments meant that its semiconductors no longer relied on the Kilby patent and filed a suit with the Tokyo District Court claiming it was not infringing the Kilby 275 patent.

In yesterday's ruling, the presiding judge said that the Kilby 275 patent in question covers the same technology as the original Kilby patent obtained by Texas instruments in Japan, which has already expired. Although the Kilby 275 patent is effective until 2001 since it covers the same technology, it should not have been awarded in the first place, the judge ruled.

Protesters at the Commission offices in Brussels. They say too little is known about genetically modified food

EU to overrule maize bans

By Michael Smith in Brussels

The European Union will tell Austria and Luxembourg to withdraw import bans on genetically modified maize in a move likely to heighten controversy over food safety.

The European Commission yesterday approved draft measures ordering the bans to be lifted after three scientific committees reaffirmed that the maize endangers neither human health nor the environment.

Austria said it would fight the Commission's decision in the European Court. Barbara Prammer, consumer affairs minister, said Austria had valid scientific arguments for its ban and deplored the Commission's intervention.

The Commission's decision was condemned by environmental groups and is likely to provoke anger in the European parliament. Last April the parliament passed a motion accusing the Commission of putting commercial considerations above safety on the issue.

However, the Commission's decision will please the US from where the genetically modified maize, manufactured by Novartis, the pharmaceuticals company, is exported.

The maize contains a gene which makes it resistant to the corn borer pest. However, there is concern that the insect could develop a resistance to the gene and, more generally, that genetically modified crops could increase human resistance to antibiotics.

Greenpeace, the environmental pressure group, said yesterday that there had been insufficient investigation as to whether the gene could be passed on in the food chain.

Recent research showed that genetically engineered plants could harm insects considered beneficial as well as those targeted for their destructiveness, it said.

The Commission's decision must be ratified by a regulatory committee of member states where a qualified majority is needed if the ban is to be implemented. Although approval is thought likely there will be strong lobbying before the meeting, which is expected to take place next month.

The EU first authorised the sale of Novartis's modified maize last December but Luxembourg and Austria subsequently applied import bans and Italy temporarily prohibited cultivation of the maize.

Yesterday's decision by the Commission was based on advice that there was no new scientific basis to change its mind following its December decision. However it will submit to the regulatory committee information provided by Austria.

The EU is to introduce rules in November requiring foods to carry special labels if they contain genetically modified maize or soya.

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Australia rejects heavy cuts in tariffs on textiles

By Elizabeth Robinson in Sydney

Australia yesterday rejected recommendations put to the cabinet by the Industry Commission that tariffs on textiles, clothing and footwear be cut to 5 per cent by 2008. Instead, the government opted to reduce tariffs gradually until 2000 and then freeze them for five years pending a review. Employers and unions welcomed the announcement.

John Howard, prime minister, reaffirmed Australia's commitment to the aim of the Asia-Pacific Economic Co-operation (Apec) forum for free trade by 2010.

"When you compare us to the rest of the world we are up there," he said.

The Department of Industry said that Australia was a relatively unprotected market and that the country had already taken the lead in eliminating quotas. It said the industry was committed to trebling exports by 2005 to A$3bn (US$2.2bn) a year. Tariffs on clothing and finished textiles, currently 34 per cent, are to fall to 25 per cent by 2000 and to 17.5 per cent in 2005; similarly footwear tariffs, currently 24 per cent, will be frozen at 10 per cent for five years from 2000, and then fall to 7.5 per cent.

While the TCFUA, the industry's main union, welcomed the protection of the industry, which employs 100,000, it criticised the government for waiting until 2005 before the review of Apec commitments, suggesting 2004 would be better.

Farming groups criticised the tariff policy for protecting an "uncompetitive industry". Richard Clark, chairman of the trade committee of New South Wales Farmers, said farmers and other "efficient exporting sectors of the economy would suffer from higher costs and increased risk of trade retaliation."

Mr Howard has made job security a priority of tariff reform and he said yesterday the plan could trigger A$400m a year in new investment in the industry. He described the package as "a practical transition".

NEWS DIGEST

EU carpeting for Russia

The European Commission yesterday criticised Russia for its threat this week to impose quotas on carpet imports from Europe. The Commission warned that Moscow's threat ran counter to its efforts to join the World Trade Organisation, which requires applicants not to impose new quotas or tariffs while they are negotiating membership.

The EU also said that, under the terms of its interim agreement with Russia, imposing new quotas would require consultations between the two sides.

Russian officials said they were likely to impose the quotas to protect domestic producers and in retaliation against the EU's categorisation of Russia as a non-market economy. That verdict makes it easier for Europe to restrict Russian imports. *Chrystia Freeland, Moscow*

■ VENEZUELAN OIL

Argentines win concession

A consortium led by Perez Companc, the Argentine oil company, has won the operating licence for an oilfield in eastern Venezuela, after Venezuelan investors withdrew.

The all-Venezuelan consortium, a joint venture between Pivensa, an industrial parts manufacturer, and Consultores CSC, which initially won the rights to operats the Mata oilfield, "chose not to sign the operating agreement," the state oil company Corpoven said. The licence was then awarded to Perez Companc and its local partner, Jantesa, an oil-related service provider, which had the second highest bid. *Raymond Colitt, Caracas*

■ FARM MACHINERY FINANCE

Case links with French group

Case of the US, one of the world's biggest makers of farm and construction equipment, has formed a joint venture with Compagnie Bancaire, the French financial services group, to provide credit to Case customers in Europe. Case hopes the new venture will boost its $1.9bn machinery sales in Europe. *Peter Marsh*

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for September 15 1997 to October 14 1997 (August 15 1997 to September 14 1997 in brackets).

D-Mark	5.84	(5.73)
Ecu	5.83	(5.77)
French franc	5.87	(5.71)
Guilder		
up to 5 years	5.70	(5.45)
5 to 8.5 years	6.20	(6.00)
more than 8.5 years	6.85	(6.70)
Italian lira	6.41	(6.25)
Yen	2.50	(2.50)
Peseta	6.60	(6.40)
Sterling	8.07	(8.11)
Swiss franc	4.37	(4.24)
US dollar for credits		
up to 5 years	7.08	(7.00)
5 to 8.5 years	7.16	(7.12)
more than 8.5 years	7.29	(7.20)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

$190,000-a-year appointment marks rare success for Conservative former cabinet members

Top job for ex-chancellor Clarke

By John Kampfner and David Wighton

Kenneth Clarke, the pro-European chancellor of the exchequer in John Major's Conservative government, has been appointed chairman of UniChem, the drugs distributor.

His move marks a notable success in what has been a difficult hunt for private sector jobs by former ministers from the government defeated by Labour in the general election in May.

Mr Clarke, who moved to the back benches of the House of Commons after being beaten for the Conservative leadership by William Hague in June, took up his non-executive £120,000 ($190,800) a year post on Tuesday.

He is also a non-executive director of Foreign & Colonial Investment Trust and has been approached about joining the board of Nottingham Forest soccer club.

Jeff Harris, UniChem chief executive, said yesterday Mr Clarke's credentials were "perfect".

He was approached shortly after the Conservatives' leadership contest for a job that would take up to two days a week. "As a former health secretary, as a man of huge stature who has been on the European scene a long time, he knows our industry," Mr Harris said.

Several former ministers have found the shift from cabinet to boardroom – considered automatic in the Conservative heyday of the 1980s and early 1990s – more difficult than they had expected.

Several are said to be "considering offers", but more than four months after Labour's general election victory a number of senior ex-ministers, including Ian Lang, the former chief trade minister, have yet to find secure jobs.

Sir Malcolm Rifkind, former foreign secretary, has become a director of international strategy of the petroleum division of BHP, tbe Australian-based resources group, and a consultant and non-executive director of Ramco Eoergy. Sir Michael Forsyth, former chief Scottish minister, is to take up a full-time appointment with Flemings, the investment bank. Uousually for a former politician, he is being traioed to work full-time in the corporate finance department rather than being a oon-executive.

Michael Portillo, the former chief defence minister, is working as a part-time adviser for Kerr McGee UK, the oil compaoy be spent some time with before becoming an MP.

But these jobs are in a different league to the senior and lucrative posts in leading companies secured by former cabinet ministers of the Thatcber era. Some became chairmen of top 100 companies.

Prospects now are blighted by the glut of former Conservative MPs after the party's crushing election defeat in May.

"Perfect": Kenneth Clarke

Minister hints at early constitutional reform

By John Kampfner, Chief Political Correspondent

Robin Cook, the foreign secretary, stepped up pressure for constitutional change yesterday by indicating that the government might put plans for reform of the House of Lords in its 1998-99 legislative programme. The Lords is the unelected upper chamber of Parliament.

Mr Cook made his suggestion during a speech at the annual conference of the Trades Union Congress. It went beyond previous commitments by Tony Blair, the prime minister, and caused anxiety among his aides.

Mr Blair has pledged to introduce a bill removing hereditary voting rights for lords by the next general election, which must be held by 2002. He has not given specific dates.

"By the time we meet again next year, we will be on the verge of putting into practice our commitment to clear that medieval lumber of Parliament," Mr Cook said. Aides denied Mr Cook was referring to Lords legislation. One said: "He is perfectly aware that it is for the prime minister to decide on the timing." The prime minister's office said Mr Cook's remarks had been "misinterpreted".

Momentnm for change will increase next week when the government hosts the first meeting of an unprecedented cabinet committee with the opposition Liberal Democrat party.

Paddy Ashdown, leader of the Liberal Democrats, said the meeting would be a "seminal moment" in relations between the two centre-left parties.

In an interview with the New Statesman magazine, Mr Ashdowo said he believed Mr Blair's commitmeot to more consensual politics was "not skin deep". Asked about a future coalition, he said: "It depeods oo the persoualities and the circumstances, but of course it is possible. It was oot wise to say this before the electioo."

● Uoions and employers share "substantial areas of common grouod" Adair Turner, director-geoeral of the Confederatioo of British Industry, told the Trades Union Congress yesterday, Robert Taylor writes.

He said it should ensure a better approach to partnership than was possible in the 1960s and 1970s, when the two sides were divided by a "philosophical gulf".

He told delegates the TUC and CBI could seek joint commitments where possible on a wide range of policy areas.

UK NEWS DIGEST

Ceo earnings increase 11.5%

Chief executives of the UK's biggest public companies received rises in their total earnings averaging 11.5 per cent last year – about four times the rate of inflation and more than double average earnings increases in the first part of this year, according to a report published today. Incomes Data Services, the pay consultant, lists 16 chief executives with packages topping £1m ($1.5m).

Most of the big increases in the survey were due to payments from long term incentive plans. Higher bonus earnings, it says, led to big variations around the averages and played an important part in pushing up total earnings. The rise in basic salaries was 9.3 per cent on average. The median total value of the earnings package received by FTSE 100 chief executives was just over £570,000. Basic salary made up most of the package standing at a median level of £390,500. The report also highlights the gulf between the pay of chief executives and their fellow directors. Other executive directors typically received salaries worth just over 60 per cent of those paid to chief executives. *Richard Donkin*

■ AIRPORT EXPANSION

Warning over duty-free abolition

One of Britain's biggest airports warned yesterday that its £260m ($413m) expansion could be delayed or halted by European Union plans to abolish duty-free sales in two years. Birmingham airport, the UK's fifth largest, said the loss of duty-free income could jeopardise its plans to double in size by 2005. The airport yesterday awarded a contract worth £15.9m for the first phase of its expansion to John Laing. But the airport said that further work – aimed at lifting passenger numbers from 6m to around 9.5m in the oext eight years – was under threat from the loss of the duty-free trade. Revenues from the sale of duty-free goods represents around 40 per cent of the airport's pre-tax profits of $17.8m last year. *Richard Wolffe*

■ FOOD HYGIENE

Abattoir scores to be published

Hygiene scores of individual abattoirs will be published from next January Jack Cunningham, agriculture minister, said yesterday.

But the government has accepted strong pleas from the industry not to publish monthly totals, on the grounds that a slaughterhouse could lose a contract with a store on the basis of a single low score.

"We shall publish an average of three months' of scores," Mr Cunningham said. "We don't want to damn a plant because it has one poor score." Plants that consistently under perform will be closed, but Mr Cunningham said this would be a last resort. "Our preferred option is to drive up standards," he said. *Alison Maitland*

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■ EUROPEAN MONETARY UNION

Membership urged by 2002

Britain should adopt a European single currency by 2002, but not when the first wave of countries joins in 1999, the British Chambers of Commerce said yesterday. It said the UK should join as close as possible to the time euro notes and coins are introduced. "Government needs now to show full commitment to Emu entry in the second wave to be in a strong position to drive the future agenda and give the business community the long overdue mandate to prepare," said Ian Peters, deputy director-general of the BCC and a member of the chancellor of the exchequer's advisory group on the practicalities of European monetary union.

The BCC has taken a similar line to that adopted recently by the Confederation of British Industry, the largest employers' organisation. *Robert Chote*

Samuel Brittan, Page 12

■ COMPETITION LAW

Companies formed cartel

Two high-technology companies which entered into an unlawful price-fixing cartel to stop a price war were held up yesterday by Mr John Bridgeman, director general of fair trading, as an example of why the UK's competition laws need urgent reform. Mr Bridgeman said the companies – Gelman Sciences and Sartorius – had secretly swapped information ou product prices charged to customers and put a limit on the extent to which they undercut each other, damaging many customers, which included hospitals and companies. The companies, which make laboratory filters for removing or isolating impurities from liquids, including bacteria and toxins, have been referred to the Restrictive Practices Court. *Robert Rice*

■ MONTSERRAT CRISIS

Island minister to visit London

David Brandt, chief minister of the British colony of Montserrat, will visit London today to discuss the government's plans for building houses for several thousand Montserratians displaced by the Caribbean island's active volcano. Mr Brandt wants Britain to build 250 houses in northern Montserrat by January to ease what island officials say is a "chronic" shortage of accommodation. Aboot 4,000 of Montserrat's original 11,000 people have been moved to the north of the island, where many are living in emergency shelters. *Canute James*

Illness insurance may be obligatory

By David Wighton, Political Correspondent

Radical proposals to make long-term sickness insurance compulsory are to be considered by the government in an effort to curb the £23bn ($37bn)-a-year disability benefit bill. The introduction of private insurance would be one of the most controversial elements in wider plans for reform of the welfare state.

The proposal has the backing of the government's social security advisory committee which has called for a fundamental overhaul of disability benefits.

The committee, whose advice the government is required to consider, said the system was failing to provide adequate and equitable support in spite of the steeply rising costs.

But without increased private sector involvement, the reform would involve unacceptable expense or deprivation. Ministers are particularly concerned about disability benefits where the bill has increased by 60 per cent to £22bn in the past five years.

In addition to the financial drain, ministers believe the system involves a high human cost by discouraging people from returning to work.

Given the rising costs and the private sector's increasing involvement in other areas of social security provision, the committee calls on the government to consider encouraging or requiring private insurance.

"There is a growing climate of opinion that the state should not undertake functions which can be done better or more economically by the private sector," says its report. The committee believes the private sector could not take on all the risks associated with providing a comprehensive safety net.

Dublin parliament told 'punishment beatings' and targeting of enforcement authorities have stopped

Irish premier praises 'quality' of IRA truce

By John Kampfner in London and Agencies

Bertie Ahern, prime minister of the Republic of Ireland, claimed yesterday that the Irish Republican Army's ceasefire declared in July was "of markedly better quality" than the 1994-96 truce that ended with a bomb in London.

He told the Dáil, the lower house of the republic's parliament: "There is an apparent absence of surveillance or targeting [of anti-republicans and members of the enforcement authorities], and punishment beatings in republican areas of Northern Ireland have ceased."

Mr Ahern was proposing approval of an agreement between the British and Irish governments to establish an international commission on "decommissioning" of weapons held by paramilitary organisations.

He said he was glad his government had been able to "play a constructive part in getting the IRA ceasefire restored". He added: "We have the great blessing of peace now and thus a calm atmosphere and a level playing field for all eligible to take part in the talks.

"We look forward impatiently to a time when, on a mutual basis and following on substantial negotiations on a comprehensive agenda, the gun and the bomb are removed completely and permanently from the political equation throughout Ireland and throughout these islands."

In London, the UK government yesterday made a final attempt to persuade the Ulster Unionist party, the biggest pro-British party in Northern Ireland, to play a full part in negotiations on a political settlement for the region. The talks under the chairmanship of former US senate majority leader George Mitchell will resume next week with Sinn Féin, the political wing of the IRA, represented for the first time.

A meeting in London yesterday between Tony Blair, the UK prime minister, and David Trimble, the Ulster Unionist leader, ended without apparent resolution of concerns which unionists say will prevent them from talking face-to-face with Sinn Féin.

Mr Trimble is under strong pressure for a compromise solution of "proximity talks" along the lines of the US-sponsored Dayton talks on Bosnia. This involved the parties discussing issues with mediators in separate rooms.

Mr Trimble said unionists were still looking for confidence-building measures from a UK government they believe is eager to make concessions to republicans in an effort to draw Sinn Féin into the political process.

"Our concern is the people of Northern Ireland be reassured that any process shall be conducted with due regard to basic democratic principles and the objective of ensuring genuine peace," Mr Trimble said. He added that there had been a "tidal wave of republican triumphalism" in recent weeks.

Prozac found in Diana driver test

By Clay Harris and Daniel Green

The Fayed family yesterday called for an independent autopsy on Henri Paul after tests on the body found a significant amount of the anti-depressant drug Prozac. It also found an alcohol level three times the French legal limit.

Paul was killed in the crash in Paris in which Diana, Princess of Wales, and Dodi Fayed died. Lawyers for Fayed's father, Mohammed Fayed – owner of Harrod's in London and the Ritz Hotel in Paris, which employed Paul – claim that a reckless chase by photographers caused the crash.

Michael Cole, spokesman for the Fayeds, attacked the piecemeal manner in which information was emerging. He said: "We think that there should be one investigation that answers all of the questions."

Prosecutors in Paris said tests on Paul had also found traces of tiapride, a drug often prescribed in France for alcoholics. They described the level of Prozac, whose active ingredient is fluoxetine, as "therapeutic" – enough to cause a medical effect, suggesting he was taking it as part of a course of treatment.

Prozac, produced by the US company Eli Lilly, is the world's biggest selling anti-depressant with sales of \$2bn a year. Tiapride is a much smaller product not sold in the US or UK. In 1996 sales were worth FFr419m.

Synthélabo, French maker of tiapride, said taking it with alcohol was "not advisable" because the combination had a sedative effect. Combination with Prozac could also be dangerous because both drugs acted on the brain and nervous system.

Scots relieved to get into the polling booth

Today's vote on devolution follows 10 years of debate, says James Buxton

People in Scotland will greet today's referendum on their country's future with much the same feeling they had on polling day in the national election on May 1: relief that campaigning is over and they can now express their opinions in the ballot box.

That may seem odd because the campaign leading up to the referendum was short.

It did not come to life until last month and was halted for a week by the death of Diana, Princess of Wales. It resumed for a 100-hour burst this week.

But intense debate over Scotland's constitutional future has been raging since the 1987 general election.

It reached a crescendo in 1992 and again in this year's general election.

The government's devolution paper has given people a concrete proposal to discuss but the arguments are familiar. Many Scots have known for years how they would vote if a referendum was ever held.

There are two big differences between today's vote and the general election on May 1 in which the Labour party ousted John Major's Conservative government.

This time voters are not being offered the choice of independence. The Scottish National party, which wants a break away, campaigned for it in the general election campaign. Now it has joined forces with Labour and the Liberal Democrats on a single pro-devolution platform, abandoning its previous condemnation of devolution as inadequate.

The SNP's participation could prove crucial to the result.

Many of its 600,000 voters are more committed to constitutional change than Labour and the Liberal Democrats and the party is good at turning out the vote.

But the second difference has been the wretchedness of the No campaign.

In the election campaign in the spring, Michael Forsyth, chief minister for Scotland in the Major government, campaigned passionately for the status of Scotland in the UK to remain unchanged. But it did not save him and his party's other nine MPs in Scotland from defeat.

In the devolution campaign it has been left to Scottish Conservatives representing English constituencies – like Michael Ancram and Liam Fox – to fight for the Conservatives against devolution.

There has been a modest appearance from William Hague, Mr Major's successor as the party leader, and an embarrassing intervention from Baroness Thatcher, the former prime minister.

The Think Twice campaign – an attempt to create an anti-devolution front at arm's length from the Conservatives – had little effect. Though surveys suggest that businesses are opposed at least to the tax-raising element in the government's plans, almost no well-known businessmen were prepared to speak out publicly. Not a single large company contributed money to Think Twice. Think Twice and the Conservatives concentrated almost exclusively on the question of tax-raising. As Lindsay Paterson, an Edinburgh academic, points out, almost no one presented the advantages of the union with England and a case for preserving it.

It seems that after a decade of debate many people feel like Grant Baird, a senior figure in Scottish finance, who said in a debate on Tuesday night: "A Scottish parliament could be very stimulating. Let's give it a try and let's stop counting the pennies."

PA News

John Prescott, deputy prime minister, in Stirling, yesterday. On this day 700 years ago William "Braveheart" Wallace triumphed over the English at Stirling bridge

Fresh cuts in price war over share dealing

By George Graham, Banking Editor

Tradepoint, the fledgling electronic share dealing market, yesterday responded to cuts in dealing charges announced by the London Stock Exchange by dropping all charges for marketmakers who report their trades through its system.

Stephen Wilson, one of Tradepoint's founders, said a complaint to competition regulators if the Stock Exchange were to abuse its dominant position was still "clearly an option".

Tradepoint, which has been struggling to make inroads into the exchange's domination of London share dealings, is now backed by three of the four biggest inter-dealer brokers, who act as middlemen between the marketmakers. They decided in July to channel their trades to Tradepoint in protest at the exchange's high dealing fees.

But on Tuesday, in preparation for the introduction of its own electronic market in October, the exchange announced a reduction in its own tariff. For an average deal, the exchange's rates slightly undercut Tradepoint's flat fee of £2.50 (\$3.97) for trade reporting.

Tradepoint yesterday decided that for deals carried out between marketmakers by IDBs, only the IDB would pay the £2.50 fee.

"This to-ing and fro-ing between us has cut £20m of costs out of the industry overnight," Mr Wilson said.

Exchange dealing fees are only a tiny percentage of the overall cost of a trade. For most institutional investors, a more important element in the choice of which exchange to deal on is the assurance of getting the best price, which is generally more likely to be achieved on the market carrying the bulk of orders.

Brokers estimate that the spread between the best buying and selling prices displayed on dealing screens is likely to narrow from an average of 0.6 per cent in today's system to around 0.2 per cent in the new electronic order book to be launched by the stock exchange in October.

CONTRACTS & TENDERS

Cinema/Peter Aspden

Top Gun meets Airport

Those seeking an explanation for Britain's gentle slide towards republicanism will find a telling argument in *Air Force One*: why bungle with blue-bloods when you can elect a chief executive like US president James Marshall?

You want tough? How about declaring all-out war against worldwide political tyranny in the name of human rights? You want streetwise? Watch him sit his 12-year-old daughter beside him as they watch a game of American football, to teach her the "ways of the world".

AIR FORCE ONE
Wolfgang Petersen

187
Kevin Reynolds

THE WATERMELON WOMAN
Cheryl Dunye

HELL IS A CITY
Val Guest

You want good-looking? Why, Harrison Ford of course. Morally committed? Admire the rough handling of his spineless advisers, reeking of *realpolitik*, with a single, drop-dead line: "It is the right thing to do and you know it."

Add a medal of honour earned in Vietnam, a wry sense of humour and the ability to twist the spinal cords of ruthless terrorists with his bare hands and you have a compelling case for an entirely new breed of leader; the kind that feels queasy in the presence of green kryptonite. But the trouble with conflating head-of-state with man-of-steel is that tha grander you make him, the more diminished seem his coterie of aides. For instance: President Marshall is hijacked on board Air Force One by crazed Russian nationalists; so who exactly is running the country?

No use looking for clues from vice president Glenn Close: "Get the Attorney General with a copy of the Constitution!", she flaps uselessly. This is not her feeblest moment, however. That comes later, when she turns to a huge map of the world and asks dramatically: "What is that red dot?" An aide enlightens her: it is a cluster of Russian MIG fighters about to blow up the president's plane. This does not inspire confidence, but fortunately, even in the new world order, five MIG fighters are unable to hit a crippled jumbo jet flown by... the US president. It swerves past the missiles at the last minute, you see.

That *Air Force One* should turn out to be delirious nonsense is little surprise; but the frustrating thing is that there are touches of a better film straining to emerge from the wreckage. The hints of a high-tech satire, for example: in the middle of "the most secure communications system" yet devised by man, Ford has to resort to sending a fax to his office – which no-one notices arriving. And even presidents have to deal with mobile phones which devour batteries at an unlikely rate.

But this lurking sub-theme remains undeveloped. As for the rest, Wolfgang Petersen keeps it all moving along with just about enough twists to retain interest, and Gary Oldman is admittedly effective in his familiar menacing-madman role. The *Top Gun* meets *Airport* finale, when all the red dots come together, is disappointingly absurd.

★

Now if the American people really want to give their president a tough time, they should take him away from all those cushy diplomatic adventures and put him into an inner city classroom.

187, named after the Californian penal code for murder which has become a gang catch-phrase, is the latest in what is fast becoming a fruitful genre: principled teacher tackles society's dregs, kicks some ass, teaches some cool stuff, kids respond, graduation, redemption, roll a sweet-sounding rap over the credits.

Delirious nonsense: Gary Oldman and Harrison Ford in 'Air Force One'

The genre has already delivered its masterpiece of incredibility – Michelle Pfeiffer earning the respect of young black kids by teaching them karate moves and Bob Dylan lyrics – and aarned its very own send-up movie, *High School High*. Dangerous territory, then; but *187* holds a few surprises up its sleeve. Most impressively of all, it has a convincing and moving performanca from Samuel L. Jackson as the teacher badly wounded in an attack in his New York school, who moves to LA to confront his fears by starting all over again.

It is also directed with flair and imagination by Kevin *Waterworld* Raynolds, who drenches the screen with bright colours and gorgeous images, occasionally interspersing them with video-shot footage and frequently opting for an unsettling grainy look which suits the morally opaque universe inhabited by his characters. Full marks too for a soundtrack which, in addition to the familiar nuggets of rap, includes plenty of British trip-hop, giving a dreamy, surrealistic quality to the images.

What saves *187* is a refreshing lack of sentimentality; just when it looks like Jackson's charges are going to start reading Shakespeare and love the world, the focus switches instead on Jackson himself, and the ethical compromises be has had to make to become effective. The *Deerhunter*-inspired ending is over-baked, and the movie cannot resist its graduation climax, although it could never be described as upbeat. We have come a long way since Lulu crooned to Sidney Poitier; To Sir With Moral Ambivalence sounds about right, though.

The Watermelon Woman, which comes to London with a clutch of lesbian and gay festival awards, is an African-American lesbian mockumentary, and if that sounds like the opening line of a joke, worry not. Writer-director-star Cheryl Dunye pokes plenty of fun at the sisterhood (a potential partner is dismissed as being too "heavy Afro-fem-centric") and deals with her high-flying themes (sexuality, race, history) with a deft, low-budget touch.

The revival of Val Guest's 1959 *Hell is a City* forms the centrepiece of the Barbican's *Elstree Calling!* season, in celebration of the British studio's 70th anniversary. There has been much talk, in the light of Recent Events, of how much Britain has changed in the post-war era; Guest's atmospheric *noir* detective story, set in Manchester, tells the story well enough.

Here is a world on the very verge of cracking apart. If there is unintended comedy in some of the scenes, it is because we are too knowing now to listen to cut-glass accents trying to slum it in the provinces, to take seriously a seduction scene which has all the bristling sexuality of a tea-bag advertisement.

But just take the last, brief scene, in which detective Stanley Baker walks out on his nagging wife, declines the attentions of his barmaid admirer, spurns a prostitute and swaps a couple of brusque one-liners with the boys before walking out into the neon-lit urban maelstrom. There is social upheaval in the air here: next stop, the 1960s.

The Proms

Henze ravishes the ear

Reports from Munich last January almost all agreed: *Venus und Adonis*, Hans Werner Henze's new "opera in one act for singers and dancers", is *(a)* sumptuously beautiful, superbly musical, and *(b)* so fundamentally undramatic that it really invites no staging. It had its British concert-premiere at a Prom last Friday, again conducted by Markus Stenz but now with the BBC Symphony. Curiously, what many of us felt this time was that the score is essentially *too* dramatic to do without a proper theatrical production.

There may be no real contradiction. The scenario that Henze and his librettist Hans-Ulrich Treichel have concocted, starting from Shakespeare's poem, prescribes three distinct levels of playing. There is a real-life trio of principal singers, who form an angry romantic triangle (including a "Mars" along with the "Venus" and "Adonis") that ends in murder: a trio of ballet dancers who enact the mythological events; and a detached commentary by a sextet of madrigalists, a sort of antique Chorus.

That is riskily clever. Easy to imagine a staging, perhaps like Munich's, in which the action would be irresistibly stylised and formal, matching the artificiality of the conception; that *would* leave the visible component redundant. But the singers' music insinuates raw violence that builds up steadily, and soon dwarfs mere performers at their music-stands; by then, we need to see some blood actually spilt. That is a problem for a producer, I think, not for Henze.

The score is more tautly, cogently made than any recent Henze I've heard, and ravishes the (sympathetic) ear as well. (Some ears walked out of the Albert Hall with their unsympathetic owners, presumably unaccustomed to modern opera.) Henze adopts another cunning device, which is to divide the orchestra into three distinct ensembles – each officially tied to one of the characters, reflecting his or her *persona*, leaving the madrigalists to sing mostly *a cappella*: a fine, severe contrast.

I think the official story is only a ruse. The true function of the device is to let Henze explore contrapuntal possibilities between separate whole ensembles, beyond simple linear counterpoint – much as be did in his Covent Garden commission *We Come to the River*, but here more focused, refined and compact. There is something about a plurality of voices that elicits Henze's best: deep Leftish sympathies, probably.

In *Venus and Adonis*, it generates marvellous, iridescent constructions that carry a weight of potent feeling. I chafed at the static presentation, but Evelyn Herlitzius sang "Venus", the Prima Donna, with eloquent force (while a ballerina should have been dancing Venus herself), and Christopher Ventris did no less as the tenor "Adonis". The part of "Mars", the homicidal Hero-Player, sounded choked and crabbed in Ekkehard Wlaschiha's mouth: perhaps it was meant to, perhaps not.

D.M.

The Proms, Royal Albert Hall, London, SW7.

Theatre/**Sam Albasini**

Karmen goes to the Kavern

In *Keep on Running* at Birmingham Rep, Bob Carlton, creator of *Return to the Forbidden Planet*, has tried to create an essentially Brummie experience. Ha uses songs from Birmingham bands of the 1960s, such as Pink Floyd, The Move and Spencer Davis, as well as local images and references to conjure up the spirit of the age.

Tha plot is closely based on Bizet's *Carmen*, but instead of a cigar factory we have the local Ford plant and in place of the gypsy cave we have Birmingham's Kavern Club. The potential for witty reverberations is cleverly exploited. Here the daring and predatory Kathleen Karmen runs from her suitor Don Joseph into the arms of Marty, whose hand is celled – yes, you've guessed it – The Matadors.

By using that over-used phrase from the 1966 World Cup, "They think it's all over – it is now" as a framing device, the cheers of the crowd at the bullfight in tha final scene of the original are called to mind, although not actually heard.

However, despite the ingenuity of the structure, *Keep on Running* never quite captures the pace and energy of Bizet's *Carmen*. On the large main stage the set is clean and functional but, unfortunately, it contributes to a sense that the piece is rather underpopulated, despite the best efforts of the cast and extras.

Carlton has chosen the songs carefully. They not only evoke a mood, but the contents of the lyrics also genuinely move the action forward. There is good singing from the four main protagonists, Ben Fox, Kate O'Sullivan, Kevin Pallister and Josephine Baird, but again, because of the nature of the space, the overwhelming impression in most of their numbers is of isolated figures in a large void.

Many attempts have been made by writers of musicals to harness the vibrancy and wealth of good tunes of the sixties; *In the Midnight Hour*, which Bob Carlton has directed in the past, is one of the best examples of this genre. There have been two recent attempts: the Bush Theatre's *Kiss The Sky* and *Carnaby Street* at tha Arts Theatre, but somehow the authentic tunes always seem to be the better part of thesa enterprises. Sadly this is also the case here.

'Keep on Running' at the Birmingham Repertory Theatre (0121 236 4455) until October 4.

Theatre

Hamlet in a home

This is the time of year when the contents of the Edinburgh Fringe are shaken out and scattered around London. One of the first to have turned up is *The Prince of West End Avenue*: originally a novel by Alan Isler (it won the National Jewish Book Award in America and the Jewish Quarterly Fiction Award here), now adapted for the stage by the Canadian actor Kerry Shale and directed by Sonia Fraser.

It has a cast of at least 14, from a 20-year-old female physiotherapist to several octogenarians in the Emma Lazarus Retirement Homa (New York). Almost too many for the little Hampstead Theatre, you might think – but in fact this is a one-man show, and Shale plays them all.

Tha action, such as it is, tacks between the home, whare the "Emma Lazarus Old Vic" troupe is rehearsing a production of *Hamlet*, and reminiscences of early manhood by our hero, Otto Korner. The *Hamlet* project is hampered by the fact that leading members of the cast keep passing away: Otto was meant to play the Gravedigger, but by the end of the piece he has had to take over the role of Hamlet himself.

The comic scenes in the home are fairly standard stuff – jokes about senility, incontinence, farting, old ladies in ridiculously girlish garb. Shale is a professional master of voices and accents, and his timing is sharp, so that part jogs along well enough. Everybody is neatly differentiated. The most vivid character is an unregenerate 80-year-old Bolshevik with a malevolent snarl, "four-foot-nothing" and therefore known as the Red Dwarf.

The reminiscent bits are more awkward, and not well integrated with the comedy. Shale has to play both his adolescent self and a Hungarian temptress in a panting erotic scene: Dr Johnson's remark about women preachers came to mind. Act 2 brings relived memories of the Holocaust period; they seem to fulfill some statutory requirement, but not much more. When an actor who has been doing comic voices all evening switches suddenly to miming paroxysms of guilt-stricken grief, it is hard to feel moved.

The show runs well under two hours, and Shale's expertise ensures that the time passes pleasantly enough. But hearing *The Prince of West End Avenue* as a Radio 4 *Book at Bedtime* would be just as good; reading the novel itself might be even better.

David Murray

At the Hampstead Theatre, London NW3, until September 20.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Giselle: Dutch National Ballet *new season opens* with this staging by Peter Wright; Sep 12, 13, 16

OPERA
Het Muziektheater
Tel: 31-20-551 8911
Das Rheingold: by Wagner. *Netherlands* Opera. New production, directed by Pierre Audi and conducted by Hartmut Haenchen; Sep 11, 14, 17

■ BERLIN

CONCERTS
Deutsche Oper
Tel: 49-30-34384-01
Carmina Burana: by Orff. Conducted by Rafael Frühbeck de Burgos. With the Clemencic Consort conducted by René Clemencic; Sep 12

Konzerthaus Tel: 49-30-203090
Berlin Symphony Orchestra: conducted by Michael Schoenwandt in works by Martinu, Henze, Matthus and Shostakovich. With violin soloist Michael Erxleben; Sep 12

Philharmonie
Tel: 49-30-2548 8354
● Berlin Philharmonic Orchestra: world premiere of Henze's Symphony No. 9, conducted by Ingo Metzmacher, with the Berlin Radio Choir; Sep 11
● Berlin Philharmonic Orchestra: conducted by John Eliot Gardiner in works by Mozart and Berlioz; Sep 16
● Berlin Philharmonic Orchestra: conducted by John Eliot Gardiner in works by Mozart and Berlioz; with wind soloists Emmanuel Pahud, Albrecht Mayer, Stefan Dohr and Stefan Schweigert; Sep 16, 17
● Deutsches Symphonie-Orchester Berlin: conducted by Vladimir Ashkenazy in works by Brahms. With violin soloist Ida Haendel; Sep 13
● Südwestfunk Sinfonieorchester: conducted by Michael Gielen in a programme including works by Kurtág and Ravel. With the Europäische Chorakademie Mainz; Sep 15

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Deutsche Oper Ballet: programma of two works by *MacMillan – Concerto and Das* Lied von der Erde; Sep 13

OPERA
Deutsche Oper
Tel: 49-30-34384-01
● Der Rosenkavalier: by R. Strauss. Conducted by Jiří Kout in a staging by Götz Friedrich; Sep 14
● Galathee, Die Schöne: by Suppé and Wahren. Conducted by Sebastian Lang-Lessing in a staging by Götz Friedrich; at the Parkett-Foyer; Sep 11

■ LAUSANNE

EXHIBITION
Musée Cantonal des Beaux-Arts Tel: 41-21-312 8332
COBRA 1948-1951: organised to mark the 50th anniversary of a post-war group of experimental artists, who derived their movement's name from their three cities of origin: Copenhagen, Brussels and Amsterdam. The exhibition will travel to Munich and Vienna; to Sep 14

■ LONDON

CONCERTS
BBC Proms, Royal Albert Hall
Tel: 44-171-589 8212
● City of Birmingham Symphony Orchestra: conducted by Sir Simon Rattle in works by Shostakovich and Mahler; with violin soloist Maxim Vengerov; Sep 11
● *Sir Colin Davis conducts the* London Symphony Orchestra and Chorus and London Voices in Verdi's Requiem. The *conductor was to have been Sir* Georg Solti and the concert is a tribute to him; Sep 12
● The Last Night of the Proms: Andrew Davis conducts the BBC *Symphony Orchestra and Chorus* and BBC Singers in a programme which draws together the season's themes, and includes works by Brahms, Wagner, Britten and Judith Weir; with organ and piano soloist Wayne Marshall and soprano Anne Evans; Sep 13

EXHIBITIONS
Barbican Centre
Tel: 44-171-638 8891
● Don McCullin – Sleeping With Ghosts: major retrospective of work by the photo-journalist which spans his career from 1959 to the present; from Sep 11
● James Ensor 1860-1949: more than 140 works by Belgium's foremost expressionist artist. Includes early studies of Ostend, portraits of the artist's family and friends, the visionary drawings of the 1880s and the carnival paintings for which he is best known; from Sep 11

OPERA
Barbican Theatre
Tel: 44-171-638 8891
The Royal Opera: Giulio Cesare, by Handel. The season opens with this new production, directed by Lindsay Posner and conducted by Ivor Bolton, with designs by Joanna Parker. Cast includes Amanda Roocroft and *Ann Murray; Sep* 13, 15, 17

THEATRE
National Theatre
Tel: 44-171-928 2252
● An Enemy of the People: by Ibsen, in a new version by Christopher Hampton. Directed by Trevor Nunn. Cast includes *Ian McKellen; Olivier Theatre; in* repertory from Sep 12
● Othello: by Shakespeare. Directed by Sam Mendes and designed by Anthony Ward. David Harewood plays Othello, Claire Skinner is Desdemona; Cottesloe Theatre; in repertory from Sep 11

■ MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Gianluigi Gelmetti in La Rondine, by Puccini. With the Munich Philharmonic Choir; Sep 12, 14, 15, 16
● Staatskapelle Berlin: in works by Beethoven. With conductor and soloist Daniel Barenboim; Sep 17

EXHIBITIONS
Kunsthalle der Hypo-Kulturstiftung
Tel: 49-89-224 412
Markus Lüpertz (b. 1941), one of Germany's leading artists, is the subject of a retrospective which includes paintings, drawings and *sculptures from throughout his* career; to Sep 14

■ PARIS

CONCERTS
Théâtre des Champs Elysées
Tel: 33-1-49525050
● Orchestre National de France: conducted by Charles Dutoit in works by Stravinsky and Orff (Carmina Burana). With soprano Patricia Petibon, tenor Stanford *Olsen and baritone Håkan* Hagegard; Sep 17
● Recital: of works by Liszt, Debussy and Franck given by violinist Olivier Charlier and pianist Brigitta Engerer; Sep 14

EXHIBITIONS
Musée du Louvre
Tel: 33-1-4020 5151
Kudara Kannon: this ancient Japanese statue, an exceptional example of 7th century Buddhist sculpture; to Oct 13

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
Le Nozza di Figaro: by Mozart. Conducted by James Conlon in a staging by Giorgio Strehler. Cast includes Anthony Michaels-Moore and Barbara Bonney; Sep 11, 13, 16

■ ROME

CONCERTS
Auditorio di Via della Conciliazione
Tel: 39-6-6880 1044
● Orchestra and Choir of tha Accademia Nazionala di Santa Cecilia: conducted by Daniele *Gatti in works by Brahms* – Schicksalslied for choir and orchestra, and Symphony No. 2 in D major; Sep 11

■ VENICE

EXHIBITIONS
Palazzo Grassi
Tel: 39-41-523 1680
German Expressionism: Art and Society. Kirchner is at the centre of this selection of works, dating *from around 1910 to the* mid-1920s. Other artists represented includa Meidner and Marc; to Jan 11

■ VIENNA

EXHIBITIONS
KunstHausWien
Tel: 43-1-712 0495
Herb Ritts: first European retrospective of work by the American photographer. Previously seen in Boston, the exhibition ranges from portraits of Hollywood celebrities to images of Africa; from Sep 11

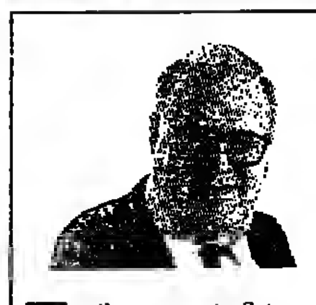
■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
Monday to Friday, Central *European Time:*

● **NBC/Super Channel**
07.00: *FT Business Morning*
10.00: *European Money Wheel*
Nonstop live coverage until 15.00 of European business and the financial markets.
17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*



Economic Viewpoint · **Samuel Brittan**

Cloud over the euro

The strongest case for postponing Emu is that Europe could then create a genuine new currency from the start and avoid a three-year transition

In the run-up to Saturday's meeting of the council of European finance ministers and central bankers, the air has been thick with re-assurances that economic and monetary union will come into effect as planned at the beginning of 1999.

So great is the determination of Helmut Kohl, the German chancellor, to leave a landmark behind before the German elections of autumn 1998 that something of the kind is highly likely to come into operation.

The undertaking will probably start with a wide rather than a narrow membership. The Bundesbank and most German financial opinion would have much preferred to start the project with a "narrow Emu", based on Germany, France, the Benelux countries and Austria, with the possible addition of Ireland and Finland. But ever since Theo Waigel, the German finance minister, announced his (abortive) plan for revaluing the Bundesbank's gold reserves, it has been clear that Germany too has been prepared to fudge the Maastricht criteria. So it will be very difficult to apply strict standards to exclude the Mediterranean countries.

Be that as it may, another, and potentially greater threat to Emu has appeared on the horizon. The project which is to come into operation in just over 15 months will not be that of a European currency. It will be yet another fixed exchange rate regime. The euro itself will come into general circulation only in 2002 and will not replace national currencies until the second half of that year.

In the meanwhile, the euro will be a book entry currency used mainly for the "treasury operations" of banks – their transactions with central banks and with each other. There will be nothing to stop any company from using the euro as a unit of account, although it is doubtful if many employees will accept euro-denominated wage contracts until the euro itself is in wide circulation.

Emu institutions will, of course, be more ambitious than those of any other semi-fixed exchange rate area. For in principle the central banks of all the participant countries become subordinate to the new European Central Bank.

The national authorities are supposed to treat their currencies as variants of the euro, even though few of their citizens will actually see that currency. This means that if holders of Italian lire wish to convert them into German D-Marks, the Bundesbank would have to create as many D-Marks as are required to make the conversion. The principle would be that, as lire are being put into cold storage as quickly as D-Marks are being created, there would be no net addition to the European money supply.

But the principle is easier to lay down in general than to establish in practice. The Bundesbank has never been prepared to create unlimited amounts of D-Marks in any previous currency run. It takes some optimism to see it doing so in just over 15 months' time, or to see German opinion allowing it to get away with such action. In fact the German central bank would have preferred a much shorter gap between the proclamation of Emu and the general introduction of the euro.

But it is too late in the day to secure an overnight conversion in 1999. The notes are not ready. The coins are not ready. The cash dispensers have not been adjusted. And most businesses have not adapted their accounting systems.

The only way the transitional period could be shortened would be to postpone Emu itself. No wonder Hans Tietmeyer, the Bundesbank president, does not think that would necessarily be a disaster, although he has denied advocating it.

This danger of a mass run out of suspect currencies has been obvious ever since the Maastricht treaty. I can claim to have warned about it in *A Cool Look at the Euro**. But the danger is even greater than I initially realised. For, as Walter Eltis, the Oxford economist, has pointed out in a new publication**, such mass conversions are not merely possible but likely.

For they offer a one-way bet. If you are a holder of international funds, what do you do with your lire or pesetas? If monetary union works, you lose almost nothing from converting them into D-Marks meanwhile. But if Emu fails and the Italian or Spanish currencies start falling, the gain from conversion would be large. It is the classic one-way bet which has destroyed most exchange rate regimes.

To counteract this threat, all participating central banks, including the Bundesbank, would have to say that they would indeed be prepared to make unlimited conversions. The question then is how far they would have to go before the markets believed them.

These problems create a window of opportunity for the Blair government to play a role. For if the UK stated that it was in principle prepared to join a well-prepared Emu (subject to a referendum or fresh general election), the outlook would change. Scandinavian countries such as Sweden would be likely to follow suit and the whole project would seem much less dominated by the central and south of the continent. It would then be more acceptable to German public opinion and would stand a good chance of surviving whether or not Mr Kohl was still in office.

By comparison with these currency issues the Maastricht budget deficit targets matter little. Their origin is twofold. First, central banks like to put the blame for failures to contain inflation on other organisations and thus proclaim the importance of fiscal policy. Second, Germany has an understandable aversion to financing other countries' budget deficits on the pretext that they are due to Emu.

Nevertheless, as economist Milton Friedman has always taught, the link between budget deficits and inflation is much weaker than most people suppose. This is shown by a chart, first drawn to the attention of Financial Times readers by Paul de Grauwe, professor of economics at the University of Leuven, in an article in the international editions on July 11.

This shows there is little relationship between monetary stability and fiscal rectitude. Over the two and a half decades up to 1996, Belgium's deficit averaged well over 6 per cent of gross domestic product. Yet its effective exchange rate rose. Sweden and Finland had nearly balanced budgets or even surpluses; yet their currencies depreciated. In the range we have actually seen, budget balances are not the clue to low inflation. They matter now mainly as a sign that governments are observing pledges solemnly undertaken.

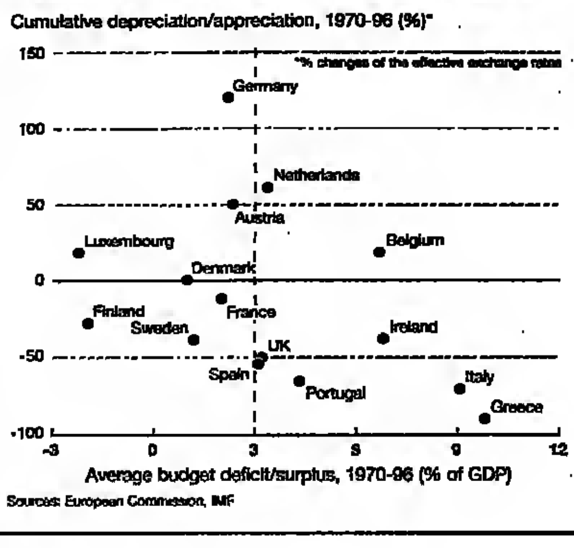
The blow to confidence arising from the willingness to fudge does not mean the euro will depreciate against other currencies. The European Central Bank is all too likely to try to establish its credibility by adopting excessively tight monetary policies. Already we see the expectation in the financial markets that German interest rates will rise towards the level of high rate countries in the run-up to 1999.

Bernard Connolly, the Eurosceptic former European Commission economist, has said that the danger is not of a weak or a strong euro but a "bad euro". He does not have to be right; but European leaders seemed determined to make him so.

*A Cool Look at the Euro, *Samuel Brittan, David Hume Institute, Edinburgh.*
**The Creation and Destruction of Emu, *Walter Eltis, Centre for Policy Studies, London*

Deficits: little guide to currency strength

Cumulative depreciation/appreciation, 1970-96 (%)*



Average budget deficit/surplus, 1970-96 (% of GDP)

Sources: European Commission, IMF

BOOK REVIEW · Stephen Fidler

MEXICO: BIOGRAPHY OF POWER
A History of Modern Mexico, 1810-1996. By Enrique Krauze
Harper Collins, $35, 872 pages

Mexico's failed Hobbesian bargain

The history of Mexico, more than of most countries, can be told through its leaders. Its rulers – from the Aztec tlatoani, through the Spanish viceroys and the 19th century caudillos to the presidents of the 20th century – have known few legal constraints upon their exercise of power. When they have not wielded it, the country has typically plunged into violent chaos.

It was out of such chaos – the violent revolution of 1910 to 1920 – that Mexico's modern political system was created. Since 1929, Mexico has been ruled by presidents from the same party. Each is chosen by his predecessor and rules for six years, after which he cannot be re-elected.

This unique system has been described as a Hobbesian bargain by which Mexicans surrender their political freedom to the "revolutionary family" of the party leadership in return for political and economic stability. Given that the leaders have delivered neither in recent years, the system has begun to break down. For the first time in the century, opposition parties this year took control of the former rubber-stamp congress.

Enrique Krauze, a well-known Mexican historian, has written a compelling history of how this happened. Much of this work has already appeared in Spanish. Its publication in this excellent, accessible English translation should enhance understanding in the US of its complex southern neighbour.

The book begins in September 1910 with a description of Mexico's centenary fiesta, a double celebration of the centenary of the war of independence from Spain and the 80th birthday of Porfirio Díaz, the president. Díaz, who became president in 1876, had seemingly turned Mexico from violence and chaos into a modern, progressive economy.

"As Rome had its Augustus, England its Elizabeth and its Victoria, so Mexico has its Porfirio Díaz. Everything is going well in Mexico. Under Porfirio Díaz, a nation has been created," wrote a US delegate to the celebration.

In fact, the fireworks of the fiesta marked the beginning of a greater eruption, a revolution that lasted a decade and led to hundreds of thousands of deaths.

Krauze emphasises the tragic ironies of modern Mexico. Much as its leaders purported to resist the past, they seemed doomed to repeat it.

Of the Díaz dictatorship, he writes: "In the economic sphere it seemed the very image of progress, but in the area of politics it had in some measure restored the old colonial order with certain pre-Hispanic features." Power in Mexico was concentrated in one man, officially the president of a democratic and federal republic but in fact a latter-day viceroy, chosen by sham elections and advised by technical experts known as *cientificos*.

For watchers of modern Mexico, these descriptions have a powerful resonance. Carlos Salinas, Mexico's president from 1988 to 1994 and the latest in a line of technocratic leaders, gained office with the help of electoral fraud. Ostensibly the head of a democratic system, he was an absolute ruler for six years. He attempted the formula of economic modernisation combined with political control. Like Díaz, Salinas soon found himself in exile.

The political system that is now disintegrating was created in reaction to the Díaz era. But what emerged from it was a model very similar to that it replaced.

Krauze does not attempt to turn the Mexico ruled by the Institutional Revolutionary Party (PRI) into an evil empire. Like its predecessors, the PRI ruled by combining "bread and the bludgeon", usually preferring to co-opt its opponents through the former. But it went, he says, through a period of totalitarian temptation in 1968. There it began its final decline towards moral bankruptcy in the massacre of hundreds of students demonstrating in the Tlaltelolco district of Mexico City, ordered by President Gustavo Díaz Ordaz.

Díaz Ordaz, ugly, paranoid, obsessed with order, is described dispassionately and emerges with little credit. He is only one of the jigsaw of personalities that fashioned the Mexican system. Not all come out badly, but the book emphasises what is wrong with modern Mexico: that its history is a history of men, not of institutions. While Mexican history depends on an individual or a succession of them, however enlightened, progress will be fragile.

That the existing system will disappear, Krauze argues, is now clear. What will replace it is not. "To continue the theatre of history is to be condemned and condemn the country, dramatically or grotesquely, to endless repetition," he concludes. But Mexico can learn from the past without repeating it. "The history of Mexico could then begin to be the story of all Mexican lives. Democracy would print a final period, a closure for good and all to the biography of power."

Mexico: Biography of Power *is available from FT Bookshop by ringing FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK*

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Translation may be available for letters written in the main international languages.

EU position on meat products is untenable

From Mr John B. Walton.

Sir, Your editorial "Fischler's rules" (September 4) focuses attention on an outstanding example of "Oh what a tangled web we weave, when first we practise to deceive!"

The EU has stumbled into an untenable position in an unnecessary and damaging trade dispute by repeatedly ignoring the advice of its own experts and allowing political interference in its regulatory decisions. At the same time, it has put at risk the safety of consumers and the lives of public servants.

Several in-depth reviews by the best experts in the field have concluded that the products concerned are safe and effective. Contrary to the recommendations of its own expert bodies, the EU banned the products to try and reduce the efficiency of beef production and counter the beef mountain produced by the excesses of the Common Agricultural Policy.

This political interference in the regulatory process has created a lucrative black market in illegal animal drugs from back-street operators which puts at risk the safety of consumers and the lives of meat inspectors. It has also triggered an entirely unnecessary trade dispute with partners around the world which may well cost EU taxpayers hundreds of millions of Ecus.

Since the scientific facts do not support its position, the relevant directorate's "fig leaf" is to claim that it is (for once) trying to address consumer concerns by the ban. However, its action prevents consumers from having any choice in the matter.

The EU has a well-established mechanism for addressing safety decisions in this field. It should allow the regulatory process to work without interference from a directorate which has a conflict of interest due to its agenda on agricultural subsidies and protectionism.

Consumer choice should be left to consumers – not to the tender mercies of an agricultural directorate with a vested interest in an unsustainable CAP.

John B. Walton,
Walton Devies and Associates,
West Barn,
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Hampshire GU34 3AL,
UK

Net power

From Mr Richard Carswell.

Sir, Lex ("UK institutions", August 30/31), discussing the role of institutions in influencing shareholder decisions, seemed to overlook the impact the internet.

Managers of paper-based unit trusts and Peps are understandably reluctant to canvass individuals on every controversial vote because of the expense.

However, given that the internet can transmit information quickly and accurately for a fraction of the equivalent paper-based cost, small investors can at last be given the opportunity to vote on important issues affecting their investments.

Richard Carswell,
12 Upper Grosvenor Street,
London WC1 9PA, UK

Archbishop wrong on trade unions

From Ms Ruth Lea.

Sir, I read your article "Archbishop to back unions' status demand" (September 9) with dismay. I would agree with the archbishop that employers have moral responsibilities to their employees – but the compulsory recognition of trade unions is not one of them.

Moreover, I would argue that one of the most vital tasks employers can do for employees is to run their businesses in a way which ensures long-term viability. This is surely one of the best ways to achieve secure jobs.

But if employers are to run their businesses to achieve this end, as well as satisfying the needs of the shareholders and being held responsible if "things go wrong", then they surely should have control of how they run their businesses. This is only fair and just.

And they should be able to choose, for example, whether or not they recognise unions. Many employers voluntarily recognise trade unions because they judge that this is appropriate for their businesses. But others do not because, for example, they take the view that such recognition could be disruptive and damaging to the business itself and the job prospects of all their employees (including the non-unionised). This right of choice should stay and any appeal to the "democratic rights" of employees should be dismissed as quite irrelevant. Businesses are not political entities.

I respect the archbishop's moral objective of, what I understand to be, fairness and justice for all at work. I agree with him. But the road to achieving such an objective is pitted with contentious issues about which there is much disagreement concerning their practical outcomes. Compulsory recognition of trade unions is such an issue.

Under these circumstances, it is regrettable that the archbishop has so publicly supported a policy which could well damage the job prospects of the employees it is intended to help and ignores the right of choice of those who bear the responsibility for running businesses – the employers.

Ruth Lea,
head of policy unit,
Institute of Directors,
116 Pall Mall,
London SW1Y 5ED, UK

Diana: press should donate 'windfall' to memorial fund

From N.G. Voysey.

Sir, Those in the media who have profited so much from the exploitation of the tragic life of Diana, Princess of Wales, now have an opportunity to express their remorse. They could donate this year's distributable profits to the Princess of Wales Memorial Fund. The windfall tax on the privatised utilities has shown that similar one-off charges have little effect on share prices.

The many shareholders and fund managers who read this paper probably have the power to make this happen. Will they use it?

N.G. Voysey,
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Wantage Road,
Great Shefford,
Hungerford,
Berkshire RG17 7DB, UK

From Mr Jeremy Newton.

Sir, At long last (to this sad, but extremely puzzled Briton resident in Hong Kong), Christopher Dunkley, your TV reviewer, has occupied an island of sanity in the sea of flowers and remorse seemingly about to engulf the UK ("Whatever happened to freedom of choice?", September 10).

It is ironic that the media gave her the platform throughout her later life, created the Diana phenomenon, maybe had a hand in her death and is now probably responsible for this inappropriate and hysterical overreaction to her memory.

Create an official channel for memorial funds and organise a suitable fountain, statue or some such and then let the lady rest in peace.

Jeremy Newton,
3A Elegant Terrace,
Happy Valley,
Hong Kong

COMMENT & ANALYSIS

FINANCIAL TIMES

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Thursday September 11 1997

Oslo talks undermined

For a few days after the death of Diana, Princess of Wales, it was widely hoped that the use of anti-personnel landmines might be subject to an international ban. This would have been a splendid legacy, acclaimed throughout the world.

There were signs, briefly, that the US might be willing to support such a ban. In mid-August the US joined talks sponsored by the Canadian government with a view to securing a rapid international agreement outside the laborious processes of the UN. However, US delegates to the international conference in Oslo intended to take the process forward have made it clear this week that they still insist on important exceptions.

This is a disappointment. The princess's vigorous campaign against the use of anti-personnel mines had made an impact on many governments. There are strong economic as well as humanitarian reasons.

By maiming civilians and crippling infrastructure and farming, mines prevent the return of refugees. This hampers employment and growth in countries recovering from war. Moreover, the direct cost of clearing mines could run into billions of dollars worldwide: up to $3,000 for each device.

However, the US Department of Defense says it must reserve the right to deploy such mines in Korea, and it wants to be able to use anti-tank systems and self-destructing mines. Without the wholehearted support of the US, there is little chance of a comprehensive deal to prohibit the use, export, production and stockpiling of anti-personnel mines.

Supporters of a comprehensive ban argue that landmines have outlived their utility on the battlefield. Modern, mechanised warfare bypasses minefields: they proved largely ineffective against the western allies in the Gulf war. Former US military officers agree that mines are no longer essential to an effective fighting force.

The trouble is that the US does have a point over Korea, where the Pentagon argues landmines are essential to delay a possible broad-based North Korean land offensive. To assuage this argument, other parties should agree to exempt Korea – and only Korea – from the rapid decommissioning provided for in the proposed treaty. Then the US should sign up. If other countries are reluctant to make an exception for Korea, they should consider extending the decommissioning period more generally to get the US on board.

Precedent suggests that a comprehensive ban can almost eliminate unacceptable weapons: chemical and biological devices, for example. Landmines should join the list.

Korean woe

With debts of nearly 86 times capital and interest costs equalling more than 20 per cent of sales, it is no surprise that the Jinro drinks group has become South Korea's latest corporate casualty. Even by local standards, its gearing was astonishing – and normal Korean gearing ratios, averaging over 400 per cent at large conglomerates, are horrifying enough.

They need to come down if Korean industry is to enjoy financial stability. The days when high growth or government intervention could rescue companies from debt problems are gone. Kang Kyong-shik, Finance Minister, was right to call yesterday for accelerated economic and financial reform in response to the Jinro debacle.

Financial market reform would slow accumulation of fresh debt and help wind down existing gearing levels. By forcing more rational credit decisions it would end the ruinous practice of government-directed lending. New instruments and a more rational interest rate structure would help restructure balance sheets.

That calls for accelerated liberalisation of the capital account, giving foreigners freedom to invest in Korea's domestic bond market. Opponents of reform fear this would cause an inflationary inflow. Yet, if anything, Korea now needs to offset the deflationary pressures arising from the sale of property and other assets by distressed companies, and the other advantages are clear.

Foreign participation in the bond market would reduce Korea's high long-term interest rates, allowing debt to be refinanced at lower cost. Lower long-term rates would also push up share prices, enabling companies to raise new equity on favourable terms.

Reducing corporate leverage will take time, but other measures springing from financial reform could help. One is an end to the ban on holding companies and an obligation on conglomerates to produce consolidated accounts. The present criss-cross conglomerate mix of public and private shareholdings lacks transparency. Proper accounts would encourage sensible lending by banks. Corporate managers would be more aware of the return on individual businesses and better placed to reduce debt by selling poorly performing ones.

In today's Korea that looks like a flight of fancy, but the present problems demand radical solutions. Financial innovation will be needed to repair corporate balance sheets. Foreign as well as taxpayers' money will be needed to recapitalise banks. Only when this is recognised will Korea emerge from financial crisis and rediscover its formidable industrial strength.

Safety first

The death this week of two people in Yorkshire from an e.coli outbreak is the latest in a series of events that have undermined confidence in the UK food industry.

Modern systems of farming, processing and distribution have thrown up a fearsome range of microbiological threats including salmonella in eggs and listeria in dairy products, as well as BSE. Veterinary drugs, pesticides and heavy metal residues can contaminate foodstuffs. New technology is bringing genetically modified ingredients and novel foods which worry many consumers.

The Ministry of Agriculture, Fisheries and Foods has proved unable to deal adequately with such challenges – still less restore public confidence in the food industry. So it is welcome that the government has moved to implement its election promise to set up an independent Food Standards Agency. A white paper setting out details is expected later in the autumn, with a draft bill in the spring.

Although there will be no consultative green paper, the shape of government thinking has been clear since May when Professor Philip James, Labour's adviser, published his blueprint. This involves creating an agency modelled on the Health and Safety Commission which is widely acknowledged to command the confidence of employers, employees and the general public in regulating workplace safety. Prof James rightly suggests a stronger degree of consumer and other public interest representation for the food agency to restore confidence.

In line with the government's emphasis on public health generally, Prof James envisages a wide-ranging role for the new agency. It should, he believes, reach beyond pure safety issues to include education on matters such as diet. He points out that the economic cost of diet-based diseases is three to four times that of all food scares, including BSE. He thus proposes the agency be called the Food and Health Commission, to reflect its wider remit.

This "mission-creep", however, would be a mistake. Diet is certainly a contributory factor in many health conditions such as coronary heart disease. But other factors such as drinking, exercise, smoking and lifestyle play their part. It is the job of the Department of Health to encourage healthier lifestyles, a task that is very different from improving food safety.

The challenge for the agency is to ensure consumers can choose between food products all of which are safe and labelled with appropriate nutritional information. That means grappling with the whole food industry from the plough to the plate – a daunting task by any measure. Bolting on other roles, better suited to other bodies, can only distract from that task and dilute the effort.

If at first you don't succeed

Today's referendum on devolution is just the initial step in improving the government of Scotland, argues **Brian Groom**

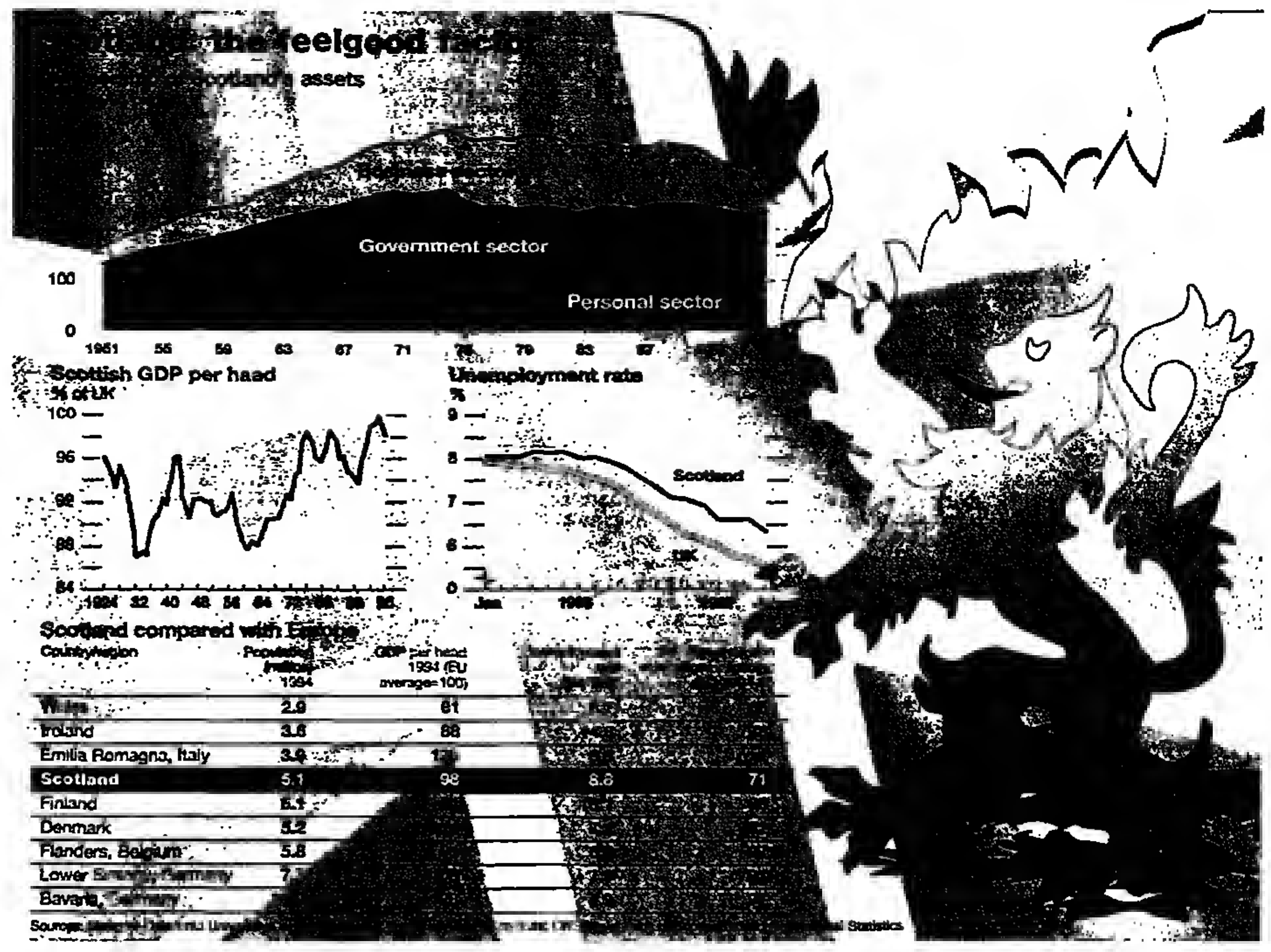
Even the weather was miserable when Scotland last voted in a referendum on devolution. Rain and snow drifted down the west coast as voters wearing sideburns and flared trousers shuffled to the polls on March 1 1979 to deliver an inconclusive verdict. Just over 1.23m voted in favour, and 1.15m against – a Yes vote of 32.9 per cent of the electorate, well below the 40 per cent threshold set by the parliament in Westminster.

Today Scotland votes again. Flares are back. The maverick Labour MP Tam Dalyell thunders against devolution now as then. Otherwise, all is changed utterly.

Polls show three to one in favour of the proposition that there should be a parliament in Scotland (though the majority for the proposition that such a parliament should have tax-raising powers is much slimmer). Politically, economically and culturally, Scotland is another country. What kind of country?

The political changes are obvious. The previous referendum took place in the dying days of Jim (now Lord) Callaghan's minority Labour government. Tony Blair's New Labour government has a thumping majority and the party is no longer hopelessly divided on devolution. In 1979 the Conservatives were on the verge of winning power; now they have been wiped from Scotland's electoral map (they have no seats there). But the changes go even deeper.

They are especially startling on the economy. Then, Scotland was dependent on declining heavy industries, such as shipbuilding, steel and coal. Now, the country attracts large quantities of foreign direct investment in electronics. It retains a healthy financial industry around Edinburgh. And companies like Scottish-Power and Stagecoach have aggressively pursued takeovers south of the border.



Scotland's gross domestic product per head, which had lagged well behind the UK figure since estimates first became available in the 1920s, hit 98.9 per cent of the UK average in 1994. It is roughly the same proportion of the European Union average, too, which makes Scotland richer than Finland and Flanders (which have comparable populations) but poorer than, say, Bavaria or Emilia Romagna, the richest area of Italy.

Scottish unemployment fell below the UK average in the last recession: it is now slightly above it, at 6.3 per cent in July compared with a 5.5 per cent UK rate, but within memory it was massively higher, as it is in comparable European regions. The proportion of people owning their own homes, that most Thatcherite of indicators, soared from 35.3 per cent to 57.9 per cent between 1979 and 1995.

There are caveats of course. Lots of them. Poverty and ill-health remain widespread in west central Scotland. The national Labour party is apparently poised to suspend civic leaders in Glasgow for alleged misdemeanours. There are long-term fears about Scotland's over dependence on electronics and, above all, its abysmally low rate of new business formation: in 1980-88, new companies in Scotland were being set up at little more than half the rate that prevailed in southern England.

Scotland's public spending profile also looks somewhat uncertain. It gets substantially higher public spending than England. According to the Scottish Office, "identifiable general government expenditure" per head in 1994-95 was 25 per cent higher in Scotland than in England, and the gap has been widening: in 1991/92 it had been 18 per cent higher. Scotland has the appearance of a Scandinavian-style high-tax, high-public spending system rubbing up against an English, lower-tax, lower-spending one.

On balance, though, the picture is positive. In spite of fears about strong sterling and high interest rates, the Royal Bank of Scotland expects GDP to grow faster than the UK average next year. For the lucky few there is even a whiff of an un-Calvinist 1980s-style boom. Top salaries are rising. According to one luxury car dealer, sales of Porsches, Ferraris and Jeeps are up by 20 per cent on a year ago. When Grant Baird, 55, the respected economist who runs Scottish Financial Enterprise, was asked recently whether Scotland had ever had it so good, he said: "Not in my lifetime."

The notion that Scotland is going through a period of exceptional self-confidence is even more marked in culture and science.

In the arts, Scotland has produced a number of people of international stature: Irvine Welsh, the novelist, Callum Innes, the artist, and musicians James MacMillan and Evelyn Glennie. The cultural renaissance has a distinctive Scottish accent and has provided an impetus to demands for greater political autonomy.

Less recognised are achievements in science and medicine. Evidence of a link between BSE and CJD was discovered in Edinburgh's Western General Hospital. Dolly the sheep was cloned at the Roslin Institute nearby. Research into p53, a gene that may help cure cancer, is taking place in Dundee, while a Scot at Glaxo Wellcome is making progress on an Aids cure.

All this has led Madsen Pirie, Scots-born founder of the Adam Smith Institute, to declare: "This is certainly a time for achievement, a new age of self-confidence and assertion. It will result in full political independence within a decade."

Perhaps. The visitor from Mars, however, might ask two obvious questions. Considering Scotland has been so successful under existing constitutional arrangements, and given that these already provide for separate legal and education systems, why does it want a change? And how do the Scots think a new parliament could help?

To the first question the usual reply is: "Margaret Thatcher". Her period in office looms large in the Scottish mind. Hostility to what was perceived as her English nationalism started in the early 1980s when accusations appeared that "Scotland's oil" was being misused to fuel a soaring exchange rate that was destroying traditional Scottish industries. Later, the imposition of the poll tax and education reforms stoked the fires of resentment.

On the face of it, the Scottish parliament is a simple proposition to address Scotland's "democratic deficit": to end the anomaly that there is no representative institution to oversee the devolved administration.

But the issues go deeper still. The historical bonds that tie Scotland to England have progressively weakened: the empire that brought Scots such opportunity has gone; the Ulster-style religious sectarianism that created working-class loyalism to the union has faded. Other links remain, such as the personal ones that come from living on the same island, the integrated nature of the two economies, and the public spending flows. But these tensions of nationality mean the parliament will face a fearsome burden of expectation.

Paolo Vestri, in charge of the pro-devolution campaign, gives pointers about what the parliament could achieve: it could involve local councils in providing primary health care; it could use its limited tax power – if voters approve of that idea – for special projects such as youth training schemes. The left-leaning John Wheatley Centre has produced policy reports on education and the environment, calling, for instance, for a Scottish Road Traffic Reduction Bill, which would set lower speed limits and annual targets for reducing traffic. An intriguing proposal is for a "wired" parliament, in which every member has a laptop and the citizens can call up public information.

All this means that, over time, Scottish policy is likely to diverge from English policy: that is part of the point of devolution. A sharper question is whether the parliament, assuming it is created on a wave of well-meaning consensus, would have the willpower to challenge that consensus if need be. Scottish education, for instance, once the envy of the world, is in deeper trouble than most Scots admit. A recent survey showed Scotland's nine-year-olds trailing ninth out of 17 countries in maths and science – in science, they were behind even the English. Tackling this will mean shattering complacency.

It is not clear, either, whether Scotland yet has the intellectual firepower to make parliament a success. Political transformations tend to be preceded by a flurry of activity from think-tanks. Scotland has a couple of these – the Wheatley Centre and the fledgling Social Council Foundation – but at the moment there is relatively little hard-headed independent political analysis going on, and parliament is scheduled to start in 2000.

There is a danger that a Scottish parliament could become an institution of talentless time servers, tweaking minor regulations and breeding corruption.

If devolution is deemed to fail, there is always independence. Most economists think Scotland could stand alone if it wished. "There are plenty of small economies that do stand alone, though the disturbance of the break-up is what people forget," says Brian Ashcroft, director of the Fraser of Allander Institute at Strathclyde University. An arcane debate rages between the pro-independence Scottish National party and its critics over whether an independent Scotland would have a budget surplus or a deficit.

But most Scots are unconcerned. For them, independence is not the issue now: if they vote for a devolved parliament, they will want it to work. And by that measure, today's vote counts as the easy bit.

The author was editor of Scotland on Sunday between 1994 and 1997. He is now head of the FT's correspondents around the UK

· OBSERVER ·

Calvet en route

■ Jacques Calvet has been behind the wheel at Peugeot-Citroen for so long that it's difficult to imagine him taking a back seat. The normally forthright 65-year-old has been unusually coy about rumours that he plans to retire at the end of this month.

So the Frankfurt motor show was listening with only half an ear as Calvet opined on the state of Europe's car market. Asked one cunning questioner: would M Calvet's views be the same when he addressed the Brussels motor show in a few months?

Calvet, who loves verbal fencing, replied that "if things were not to evolve as I expect, I would be planning to see you at the Brussels motor show".

That's the closest yet to confirmation that "Europe's Lee Iacocca" – as he was dubbed in the 1980s after turning around Peugeot-Citroen – is about to hand over the wheel.

The man who made his mark as a civil servant before moving into industry hasn't achieved everything he set out to do. In the early years Calvet promised to turn Peugeot-Citroen into Europe's market-leader; today it ranks only third. Having memorably described the UK as "a Japanese aircraft carrier off the coast of Europe", his company now sells diesel engines to Nissan.

But Calvet has no regrets. As for the dream of market leadership, he says all bets were off once Germany reunited. And selling diesels to Japan? Well, these days everyone has to earn a living.

Favourite son

■ If Scotland votes for its own parliament in today's referendum, the man with the biggest smile tomorrow morning could be Scottish secretary Donald Dewar. The man who led the government's campaign for a "yes" vote is also favourite to become the country's first chief minister when the assembly gets going in 2000.

Few in Scotland doubt Dewar's intellect and decency. And the Edinburgh lawyer's image has been helped by his ability to keep at arm's length the Labour party's powerful spin doctors. The "yes" campaign has at times looked touchingly amateurish – a big plus in the eyes of voters suspicious of super-slick government.

If Dewar does decide to leave Westminster and stand for election to the Edinburgh assembly, he could be the first person for almost 300 years to head a government of Scotland. "For Donald the job is almost there for the asking, and I can't believe he will turn down a chance to get into the history books," says a colleague.

Diplomatic bag

■ Jacques Santer's plan to break up the European Commission's foreign policy fiefdoms has shaken Brussels from its summer stupor. The Commission president wants to put all bureaucrats handling trade, aid, and external political relations under one roof – reporting to a new supremo called vice-president for external relations.

As many as six Commissioners currently can claim responsibility for foreign policy – a recipe for infighting and petty jealousies. The big-hitters are Sir Leon Brittan, the turf-conscious British trade commissioner, and Hans van den Broek, the Dutchman in charge of enlargement and relations with Russia. But Spaniard Manuel Marin, Joao de Deus Pinheiro from Portugal, and Italian media darling Emma Bonino – not to mention Santer himself – all have their say.

In part it's all the legacy of former president Jacques Delors, who created an external political affairs directorate which jockeys for influence with the trade directorate and member states. Commission-watchers reckon Santer is now drawing a line under Delors's attempt to create a super-foreign ministry in Brussels.

The shake-up is certainly a test of Santer's authority, though insiders say he's been careful to restrict his edict to staff without mentioning what would happen in future to their Commissioner bosses. The next Commission president will have to deal with the likes of van den Broek and Brittan – if they are still around.

Rooster booster

■ Thailand's government needs all the help it can get. So perhaps it's not surprising that the wife of prime minister Chavalit Yongchaiyudh plans to sacrifice a black chicken in support of her embattled husband.

It's not the first time she's trusted to luck and superstition. Following her husband's general election victory nine months ago she held Buddhist ceremonies to bless her home and danced at a temple to fulfil a religious promise. Chavalit himself is said to schedule important meetings for five minutes and 15 past the hour after a fortune-teller told him that the number five would bring him good luck. With a motion of no-confidence looming, Chavalit would be glad to scrape home by five votes.

The Financial Times

100 years ago

Affairs In Japan
The successful war against China intoxicated the whole nation and produced a degree of self-confidence and self-assertion entirely without precedent in the Far Eastern world. The fact that the Japanese had single-handed completely routed China the Gigantic was in itself enough to produce an over-estimate of the immediate financial and commercial advantages resulting from the war. As the Government had managed to defray the heavy cost of the struggle without appealing for foreign financial assistance, the people came to the conclusion that the resources of the country were quite inexhaustible.

50 years ago

Grain Prices Jump In U.S.
New York, 10th Sept. Grain prices soared to new high levels in Chicago to-day, heading a mounting upward surge in the American cost of living. The rises brought a statement from the executive of the American Federation of Labour: "Food prices are now bursting through the roof." The executive hinted at further wage demands to meet the ever-increasing cost of living. The Department of Agriculture has warned that spiralling grain prices will bring even higher prices for meat next year.

FINANCIAL TIMES
Thursday September 11 1997

Malaysia delays building work on $6.8bn capital

By James Kynge in Kuala Lumpur

Malaysia announced yesterday it was delaying construction of a M$20bn ($6.8bn) new administrative capital, in a blow to the ambitions of Mahathir Mohamad, the prime minister.

The delay to Putrajaya, Malaysia's most prestigious and largest infrastructure project, is part of a package of measures to reduce the nation's trade deficit and restore confidence in its financial markets.

Putrajaya, envisaged as a "paperless" administrative centre with an eventual population of 570,000, was to have been built in three phases and finished by 2005. But only phase one will be built for the time being, with the remaining two staggered over a longer period than scheduled, said Anwar Ibrahim, deputy prime minister and finance minister.

Mr Anwar was speaking to an audience of bankers and stockbrokers. He did not disclose the cost of the first phase but analysts said that, even without such details, the announcement that Putrajaya was to be delayed was an important concession.

The new city is to form the heart of the "multimedia super corridor" (MSC), a 750 sq km area which Malaysia hopes to make into its version of California's Silicon Valley. Its deferral may influence the plans of foreign information technology companies, many of which have promised to invest in the corridor.

Until last week, Dr Mahathir was adamant that no infrastructure projects would be postponed. The prime minister has lavished his energy this year on promoting the MSC in Japan, the US and Europe.

Mr Anwar, who is deputising while Dr Mahathir is on a trip overseas, also announced other belt-tightening measures. He said all new decisions on privatisation projects would be deferred until December 1997.

Government officials will be provided with Protons, the national car, instead of the usual Mercedes and the purchase of large foreign goods by government agencies, including the armed forces, will be reviewed. All government agencies are to cut 2 per cent from their expenditure.

One of the main reasons for the recent weakness in the Malaysian dollar against the US dollar – and hence the local stock market's plunge – has been the perception that Malaysia is spending beyond its means.

The deferral of important infrastructure projects as part of a broader austerity drive is likely to calm some of the fears in financial markets, analysts said.

Despite the austerity drive, Mr Anwar said he remained confident that a growth rate of 8 per cent could be attained this year, making it the tenth year Malaysia has achieved growth at 8 per cent or above. He said the measures would cut the current account deficit to 5 per cent of gross national product this year, and 4 per cent next year.

Bankruptcy warning to S Korean banks, Page 4

$300m to promote investment in N Korea economy

By Peter Montagnon in Seoul

The launch of a $300m fund to promote manufacturing investment in North Korea is being planned by Asian Finance and Investment Corporation, the private sector investment arm of the Asian Development Bank.

Bankers in Seoul say North Korea has given official approval to the establishment of the fund, which would mark the first involvement of a multilateral institution in its hitherto closed economy.

The negotiations come as other such institutions, including both the World Bank and International Monetary Fund, are preparing to step up informal contacts with North Korea. They follow growing international recognition that North Korea will need substantial financial help to rebuild its ravaged economy.

The Seoul bankers said Asian Finance was having to proceed cautiously because North Korea was not yet a member of the Asian Development Bank. The Japanese ministry of foreign affairs remains opposed to its application to join.

The ADB unit will thus not put up any of its own money. Instead it will act as a co-ordinator and carry out feasibility studies for projects to be financed under the scheme.

It has already begun sounding out the financial community for contributions, which are expected to come from Korean institutions as well as those from Europe and Japan.

US institutions will not be asked to participate, as they would be prevented by Washington's restrictions on trade with North Korea.

The bankers said they hoped the fund could be up and running within about six months, though approval is still awaited from the South Korean authorities.

Asian Finance hopes that the multilateral nature of its initiative may prompt a positive response from South Korea's Ministry of National Reunification. A decision may have to wait until after presidential elections scheduled for December.

There are also hopes that Japan's opposition to North Korean membership of the Asian Development Bank may soften now that bilateral talks have resumed and North Korea has agreed to allow Japanese women married to North Koreans to return home.

The bankers said North Korean membership of the Asian Development Bank and other multilateral institutions would become increasingly urgent as its economic crisis intensified.

Adtranz overhaul

Continued from Page 1

ing closely together but whether that will result in merger I have no idea. It is my dream."

Mr Vagner said GE was aware of his idea but there had been no formal discussion. No-one at GE was available for comment at the rail transport division's headquarters in Erie, Pennsylvania.

The two companies have in the last year jointly developed a diesel-powered freight locomotive called Blue Tiger. They also work together in some export markets, including Australia, South Africa and Pakistan. Mr Vagner forecast the industry would continue to consolidate with more deals similar to Adtranz's recent acquisition of the rail business of Schindler, the Swiss engineering company. The four largest international companies – Adtranz, GEC-Alsthom, the Anglo-French group, Germany's Siemens and Bombardier of Canada – would try to grow by buying smaller competitors, he said.

Scots likely to vote for own parliament

By Brian Groom and James Buxton in Edinburgh

Scotland is likely to vote to establish the country's first parliament for nearly 300 years in a referendum today.

Voters are being asked two questions: whether there should be a Scottish parliament, with powers devolved from Westminster, and whether it should have the right to vary taxes slightly.

Final opinion polls suggested a majority on the first question of three to one, while the second question was less clear-cut.

On this, a poll for the Scotsman newspaper gave the Yes camp a majority of 48 per cent to 40 per cent, with 12 per cent undecided, while a poll for The Herald, another Scottish newspaper, put the margin at 45 per cent to 32 per cent, with 24 per cent undecided.

The polls pointed to a strong turnout, easing Yes campaigners' fears of a lukewarm electoral endorsement.

Donald Dewar, Scottish secretary in the Labour government, said: "A Yes Yes vote is a vote for Scotland's future. It is an opportunity that will not come round again for a very long time. We must grab it with both hands."

John Curtice, reader in politics at Strathclyde University, said the polls suggested a turnout in excess of the 63 per cent seen in a 1979 referendum on the issue.

In that plebiscite the rules required a yes from 40 per cent of those eligible to vote in order for the measure to pass. There is no such hurdle this year.

The opinion polls indicate that, unlike in 1979, support for the devolution proposal is widely spread across the country, with a No result on the tax issue likely only in the areas of Borders and Dumfries & Galloway.

Scots relieved, Page 10
If at first, Page 13
Observer, Page 13

Transport futures exchange on internet

Continued from Page 1

market. Only 50 per cent of haulage capacity is utilised, so this will allow the carrier to get better use of his capacity and the shipper to get lower prices."

Markets exist to buy and sell space on ocean-going ships. London's Baltic Exchange handles spot trades in dry cargo carriers and tankers. The London International Financial Futures and Options Exchange (Liffe) makes a market in Baltic International Freight Futures Exchange (Biffex) contracts that permit futures trading in dry bulk capacity. Biffex trades indexed contracts on 11 sea-going routes.

Penske Logistics plans the exchange as part of its attempt to break into the European supply chain management market, helping companies to manage their activities from product procurement to delivery to their customers.

It intends to launch the market for its own customers and make it available to third parties later next year. It is investing "several million" dollars in the project and will take a cut from the spread between the bid and offer prices on the system.

THE LEX COLUMN

Frankfurt foibles

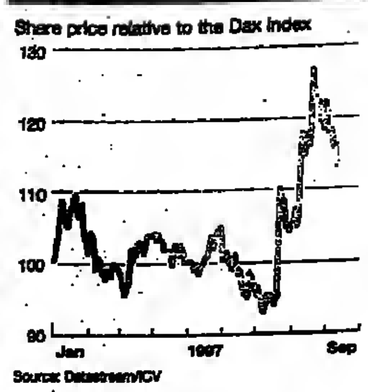
Why is Commerzbank raising DM1.5bn-DM1.7bn? Clearly a 60 per cent rise in its share price this year provides a tempting opportunity to raise funds cheaply. And its 4.9 per cent Tier 1 capital ratio at the half year was on the low side. But given the good earnings outlook, and pending warrant conversions, this would have risen to around 5.5 per cent by year-end – an adequate position. And if the bank really feels cash strapped, why is it holding out the hope of a higher dividend?

The ability to be self-funding is certainly constrained by Germany's inherently low-profit banking market. But raising funds would be more defensible, but less necessary, if Commerzbank was extracting maximum returns from its existing assets. This not so, especially with its retail operations. As for plans to expand in investment banking, they remain vague. Commerzbank may be avoiding a full-frontal assault like those being mounted by rivals Deutsche Bank and Dresdner Bank. But it has yet to explain how its niche strategy will add up to a defensible long-term business.

One way to improve returns would be through a cost-cutting merger, even if nothing as lucrative as the recent Bavarian tie-up is available. Yesterday's news arguably makes this less likely in the short term, leaving the shares, bid up on takeover speculation, overvalued. Longer term, though, number four in Germany looks an inhospitable prospect, especially as monetary union introduces added competitive pressures.

FTSE Eurotop 300 index
936.8 (-11.8)

Commerzbank



US equities

It sounds like a recipe for a healthy stock market: big, mature companies buy back their shares, freeing up capital that is recycled to smaller, fast-growing ones. But for much of 1997 Wall Street investors – more even than elsewhere – have preferred to put most of their cash into a select group of large stocks, while largely ignoring small companies and new issues.

Happily, the balance is starting to correct. Good earnings growth, relatively low valuations and a cut in capital gains tax have boosted small stocks. The Russell 2000 index of smaller companies is hitting record highs and the S&P's mid-cap index has just overtaken the S&P 500, with a gain of 27 per cent for the year to date. Small company strength is also giving a firmer tone to the market for initial public offerings. After a quiet spring, the autumn pipeline looks much more promising, including the $450m IPO of Avis Rent A Car, the new telecommunications venture by Craig McCaw, the cellular entrepreneur, and the US tranche of France Telecom.

But investors need not fret about all this new supply. The $24bn worth of IPOs so far this year is less than the $27bn of net new money that flowed into equity mutual funds in July alone. Even including secondary issues, the $67bn total of all common stock offerings in the first eight months is comfortably outweighed by the $126bn of share buy-backs already announced. If Wall Street tumbles, a glut of IPOs will not be the cause.

Williams

Williams seems poised to make its final step from old-style UK conglomerate to focused fire protection and security group. Its home improvement business – the last bit of the group which does not fit logically – is not exactly up for sale. But its future is being reviewed and it will clearly be sold if purchasers come up with a high enough price. Surely now is the time for a rerating?

Well, not so fast. A rapidly-growing focused security business would certainly not suffer Williams' 15 per cent discount to the market on a price/earnings basis; it might even qualify for a premium rating. But Williams still has to achieve two things before it becomes such a group. First, it has to sell its home improvement division for a good price. Given operating profits of around £100m next year, the £900m figure being bandied around is the minimum worth selling for. Even then Williams would have to plough back *all* the cash into buying back shares to avoid earnings dilution.

Williams' second task is to demonstrate that the core security business really can generate premium growth. The evidence from its interim results is mixed. Although the group as a whole delivered a respectable 9 per cent organic profit growth, the star performer was the home improvement side. Fire protection and security generated hardly scintillating 5-6 per cent underlying growth rates. However neat Williams' new post-conglomerate strategy, it still needs to pep up its growth rate.

Norwich Union

Forget the high-minded arguments for and against mutuality; just look at Norwich Union's share price. If a mysterious herd logic drives institutional investors to pay so much more for a business than it is really worth, it seems remarkably perverse of the remaining mutuals to deny them the opportunity.

Are the valuation arguments so clear-cut? Well, pretty much. Norwich's latest embedded value, disclosed yesterday, is £4.9bn. This includes a non-life business which might well be sensibly valued at a discount, but let us charitably overlook that. To the embedded value should be added a premium for future profits from selling new life policies – perhaps 15 times this year's embedded value profits from new business. This would still leave Norwich's £6.7bn market capitalisation looking more than 20 per cent over the top. It is no criticism of the management, but this business is overvalued.

Part of the explanation may be residual takeover speculation, which looks distinctly ambitious at this price. In any case, a rational bidder would surely have pounced before conversion. A more compelling reason is that investors expect Norwich's embedded value to rise faster than elsewhere as its costs are cut. But this alone cannot justify such a rich valuation. The rest is our old friend, "technical factors" – for which read institutions blindly buying because their competitors are doing so. Wise investors will sell into the stampede.

See additional Lex comment on ABP, Page 20

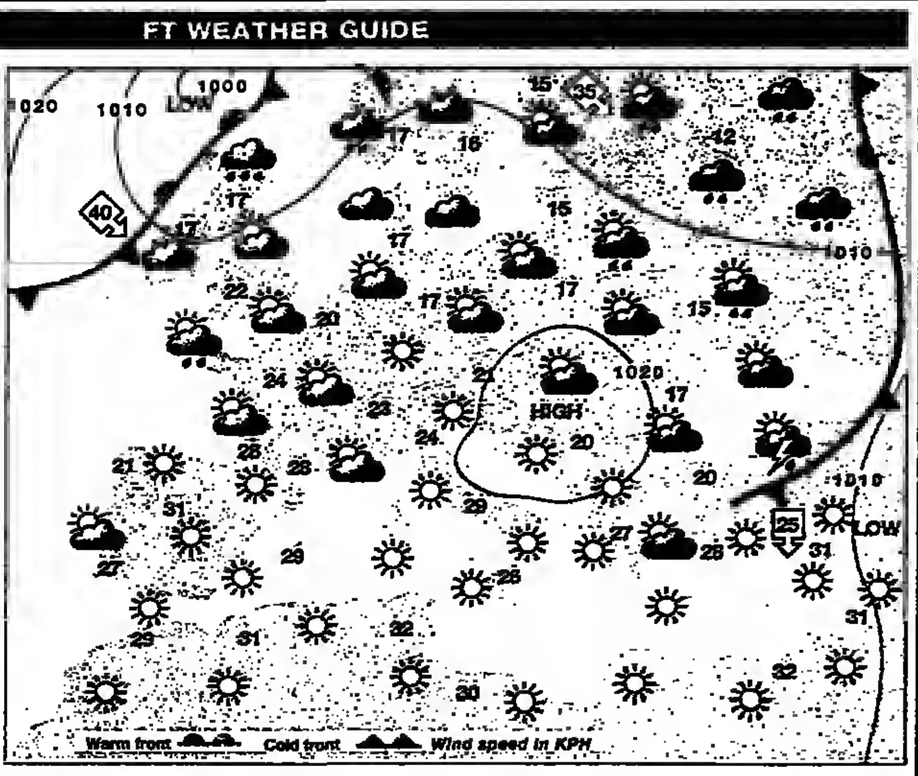
FT WEATHER GUIDE

Europe today

Southern Scandinavia will see some respite from the cool and blustery weather of recent days with a mix of cloud and sunny spells but northern Norway, northern Sweden and eastern Finland will continua rather cloudy with spells of rain. Western Russia and the Black Sea regions will be cool and showery. Central and western Europe, together with the Mediterranean, will be mostly sunny and warm as high pressure continues to dominate, although the far north-west of Europe will be cool and showery later in tha day.

Five-day forecast

Southern Scandinavia will be mainly fine but northern Norway, northern Sweden, eastern Finland, western Russia and tha Black Sea will be very showery. Western and central Europe and the Mediterranean will be fine and sunny. Tha far north-west of Europe will have showers later.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	Shower 24	Cardiff	Cloudy 19	Frankfurt	Sun 23	Madrid	Sun 32	Rangoon	Fair 29
	Celcius	Belfast	Cloudy 17	Casablanca	Sun 27	Geneva	Fair 23	Majorca	Sun 29	Reykjavik	Cloudy 8
Abu Dhabi	Sun 38	Belgrade	Sun 20	Chicago	Fair 21	Gibraltar	Fair 28	Malta	Sun 30	Rio	Thunder 40
Accra	Fair 27	Berlin	Fair 19	Cologne	Sun 22	Glasgow	Rain 17	Manchester	Cloudy 18	Rome	Fair 28
Algiers	Sun 31	Bermuda	Cloudy 30	Dakar	Sun 31	Hamburg	Fair 20	Manila	Thunder 32	S. Frsco	Sun 23
Amsterdam	Sun 20	Bogota	Cloudy 19	Dallas	Fair 31	Helsinki	Cloudy 17	Melbourne	Fair 17	Seoul	Fair 27
Athens	Sun 27	Bombay	Shower 33	Delhi	Fair 30	Hong Kong	Fair 32	Mexico City	Fair 24	Singapore	Cloudy 32
Atlanta	Fair 24	Brussels	Sun 21	Dubai	Sun 39	Honolulu	Fair 32	Miami	Fair 32	Stockholm	Fair 18
B. Aires	Rain 17	Budapest	Fair 20	Dublin	Cloudy 18	Istanbul	Fair 20	Milan	Fair 29	Strasbourg	Fair 24
B.Ham	Fair 19	C.Hagen	Cloudy 17	Dubrovnik	Sun 25	Jakarta	Fair 32	Montreal	Shower 22	Sydney	Shower 17
Bangkok	Thunder 35	Cairo	Sun 33	Edinburgh	Fair 17	Jersey	Shower 20	Moscow	Shower 12	Tangier	Sun 29
Barcelona	Sun 28	Caracas	Cloudy 33	Faro	Sun 27	Johannesburg	Fair 17	Munich	Sun 21	Tel Aviv	Sun 31
						Karachi	Fair 36	Nairobi	Fair 27	Tokyo	Shower 27
						Kuwait	Sun 43	Naples	Fair 29	Toronto	Shower 23
						L. Angeles	Fair 25	Nassau	Thunder 32	Vancouver	Shower 17
						Las Palmas	Fair 28	New York	Thunder 23	Venice	Sun 28
						Lima	Cloudy 24	Nice	Fair 28	Vienna	Sun 21
						Lisbon	Fair 27	Nicosia	Sun 31	Warsaw	Shower 18
						London	Fair 22	Oslo	Cloudy 17	Washington	Thunder 25
						Lux.Bourg	Sun 20	Paris	Fair 25	Wellington	Shower 12
						Lyon	Fair 29	Perth	Shower 17	Winnipeg	Sun 25
						Madeira	Cloudy 27	Prague	Sun 20	Zurich	Fair 23

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday September 11 1997 Week 37

INSIDE

CBOT ready for El Niño activity

The Chicago Board of Trade, the world's leading futures exchange, said it was expecting a significant increase in market activity in the coming months because of the El Niño weather pattern. *The exchange, which is home to leading grain* and agricultural markets, said it was looking for "possibly a significant impact on crop yields and commodity prices". Page 24

Outboard bid battle on home stretch

Waves started to wash around Waukegan-based Outboard Marine last month, when Greenmarine Holdings, an investment group affiliated to George Soros, the currency speculator, made a surprise foray into a $320m agreed merger between the US's second-largest boatbuilder and Detroit Diesel. Greenmarine topped Detroit's bid of $16 a share by $2. What does Soros want with the company that invented the outboard motor? It's a fair bet that it has more to do with profits than pistons. Page 17

Pakistan faces uncertain future

A host of political and economic factors continue to dog Pakistan's equity market, only months after a rally appeared to mark the end of a volatile year. Recent turbulence in Asia and anxiety over Pakistan's economic outlook, have cast doubts over the future. Page 34

Companies in this issue

Market Statistics http://www.FT.com

CROSSWORD, Page 24

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
BMW	1366	+	34
Falls			
Didier-Werke	138	-	5
MAN	516	-	15.5
Preussag	487.5	-	12
VEW	560	-	17
Varta	302	-	9.9
NEW YORK ($)			
Rises			
Berg Elctrnc	45½	+	3¾
Meadowbrook	24¾	+	2½
WHG Resorts	18	+	2¼
Falls			
Alliant Tech	64	-	3½
Fred Hollywd A	7¾	-	2¾
Jlla Chem	29½	-	2¾
LONDON (Pence)			
Rises			
BS Group	142½	+	12½
Meggitt	139½	+	11½
Telspec	252½	+	17½
Falls			
AB Ports	275	-	17½
Biocompatibles	550	-	182½
Lon Forfaiting	404½	-	40
TORONTO (C$)			
Rises			
GST Telecom	10.65	+	0.65
Goran Capital	51.0	+	2.0
Newport Pete	8.1	+	0.75
Falls			
Corel Corp	7.8	-	1.0
Intl Comfort	9.5	-	1.05
MDSI Mobile	25.0	-	4.15

PARIS (FFr)			
Rises			
Imetal	848	+	18
SILIC	836	+	15
Falls			
Alcatel	789	-	16
BIC	414	-	10.5
Banc Comp	715	-	26
Danone	840	-	26
TOKYO (Yen)			
Rises			
Daikyo Inc	293	+	12
Hattori Seiko	830	+	29
Showa Alum	694	+	29
Falls			
Koito Manf	845	-	18
Mitsui Co	968	-	20
Nikko Sec	523	-	24
HONG KONG (HK$)			
Rises			
First Pacific	8.4	+	0.35
Falls			
Beijing Ent	56.0	-	3.75
Henderson Lnd	66.25	-	1.2
New Wrld Dev	48.4	-	1.2
Realty Dev A	29.0	-	1.5
TVB	27.5	-	1.05
BANGKOK (Baht)			
Rises			
Carpets Inter	27.5	+	2.5
Foremost	68.5	+	6.0
East Asiatic	14.25	+	1.25
Falls			
Bangkok Bank	126.0	-	11.0
Bangkok Fst Ins	45.25	-	4.75
Kiang Huat	60.0	-	6.5

New York and Toronto prices at 12.30pm.

Commerzbank will target Japan

Trust fund management arm planned

By Gwen Robinson in Tokyo and Andrew Fisher in Frankfurt

Commerzbank of Germany is to move into the lucrative Japanese fund management sector with plans to establish an investment trust fund management operation in Tokyo early next year.

The plan follows similar moves by large US and UK companies such as Goldman Sachs, Morgan Stanley and Mercury Asset Management. At least 11 foreign groups have launched campaigns in the past year to woo Japanese investors with promises of higher yields and more sophisticated products than those offered by local competitors.

"Everyone is lining up to sell investment trusts in Japan and what we have with Commerz is the latest of many more to come," said Brian Waterhouse of HSBC James Capel.

In Germany, Commerzbank yesterday announced it would raise DM1.5bn ($820m) through a rights issue to help finance expansion in investment banking and other sectors and improve its capital ratio.

It said proceeds of the 1-for-14 capital increase would be earmarked for expansion in investment banking and other profitable sectors.

In Japan, Gerhard Weisheu, managing director of Commerz International Capital Management (Japan), the fund management arm, said yesterday the company expected a licence to start the fund management business to be granted early next year.

The new company will co-operate closely with Commerz Securities (Japan), the broking arm of Commerzbank, to distribute unit trust certificates for asset management.

The move comes at a time of growing foreign interest in potential opportunities under Japan's "big bang" programme of financial reforms.

Until now, foreign groups have generally been forced to use Japanese brokers to sell funds. These brokers have tended to sell mutual funds as short-term instruments, fuelling suspicion among Japanese investors, after volatility in the stock market.

The push by foreign investment advisers is being helped by the misfortunes of Japan's leading life insurers, which have had a firm grip on Japan's vast pool of pension funds. In the past year, they have been hit hard by a growing wave of cancellations by large Japanese corporate and public investors, shaken by the collapse of Nissan Mutual, a large life insurer.

Commerz International Capital Management has already benefited from cancelled business with life insurers, and expects to draw more clients away in the coming year following fund managers' upcoming reallocations, Mr Wiesheu said. As well as large corporate clients, Commerz will target financial assets of individual investors for its investment trust certificates.

Since 1994, when the company gained a Japanese licence for pension money management, funds under management have steadily increased to the current level of more than Y400bn ($3.4bn), Mr Wiesheu said.

Rights issue, Page 19
Lex, Page 14

Stronger grip on Asia announced as Schrempp pledges not to leave China

Daimler raises stake in Indian joint venture

By Graham Bowley in Frankfurt

Daimler-Benz, the German *industrial group, has secured* its hold on the Indian car market by significantly increasing its stake in its joint venture with Telco, one of India's biggest companies.

The German group yesterday signalled that it was also considering plans to build up sharply its presence in India's commercial truck market, currently dominated by Telco.

Separately, Jürgen Schrempp, chairman, moved yesterday to underscore Daimler's commitment to China where the carmaker has encountered problems with domestic partners.

He said: "We have to be there [in China]. We hava to stay. Wa have been selected [for the joint ventures] so we are not going to leave."

In India, the German group has taken over full control of the marketing of its Mercedes Benz cars from Telco and is attempting to build up a new *wide-ranging marketing* network in the country. Telco is the car and truck-making arm of the Tata group, India'a biggest industrial conglomerate.

Daimler revealed that it planned to sell the updated Mercedes E-Class car model in India. Until now, it has only sold the old E-Class model. "That was not acceptable to our Indian customers," Mr *Schrempp said. "We have now* decided to market our [new] E-Class there and control the distribution," he added.

Daimler has raised its stake in its joint venture with Telco from 51 per cent to about 76 per cent in a capital raising exercise in which Telco did not participate. Mr Schrempp met leading executives from Telco at the Frankfurt motor show earlier this week to discuss details of the alliance.

The move is the latest by Daimler, which is attempting to build its presence across Asia and South America, in what has proved a difficult market for western car manufacturers. India is viewed as potentially one of the biggest car markets in the world.

Dieter Zetsche, head of sales and marketing at Daimler, said the group's entry into countries such as India had been hampered by the carmaker's status as a low-volume, high-brand producer.

Daimler has attempted to forge joint ventures with other producers in a bid to broaden the range of cars it can offer but has so far failed to find a suitable partner.

Jürgen Schrempp of Daimler-Benz yesterday highlighted his commitment to China Picture: Reuters

Daimler waa awarded the contract to build Mercedes minivans in China two years ago but its joint venture has run into difficulties with its partners and the Chinese government. It has warned it could leave China if the problems were not resolved but Mr Schrempp's comments yesterday appeared to reinforce the group's commitmeot to the country's growing market.

The move to build its presence in the Indian truck market could bring it into direct competition with Telco, which has about a three-quarters market share of the commercial vehicles market.

Frankfurt sbow, Page 16

France Telecom in licence bid talks with Enel

By David Owen in Paris

France Telecom is in talks with Italy's Enel in a move that could lead to it joining tbe electricity company and Germany's Deutscbe Telekom in a bid for Italy's third mobile telepbone licence.

Michel Bon, France Telecom chairman, made the disclosure as he announced a 41 per cent increase from FFr6.3bn ($1.03bn) to FFr8.9bn in the former French monopoly operator's first-balf net income.

Two days ago, the French government announced plans to cede more tban a third of the company's capital, starting with an initial public offering of 20 per cent of the shares. Mr Bon welcomed that decision, saying it would allow the gronp to face up to the new competitive environment in tbe same circumstances as its competitors – "under the gaze of the market and with tbe financial means tbat the market offers".

European telecoms markets are due to be opened up from the start of next year. The timing of the planned France Telecom share offering – one of the largest in French history – with the first stock market quotation dne on October 20, means the company's private shareholders will be in place well before liberalisation takes effect.

Yesterday's strong improvement in net income was attribntable largely to a one-off gain from the sale in March of a 7.75 per cent stake in Cofira, a subsidiary of Cegetel, which is expected to emerge as France Telecom's main domestic competitor.

Tbis masked a marginal decline from FFr16.9bn to FFr16.6bn in operating income before exceptional items, attributed to price reductions and costs associated with the faster than expected growth of France's now buoyant mobile telephone market.

In spite of the price cuts, consolidated revennes advanced 2.3 per cent from FFr75.1bn to FFr76.8bn.

All told, first-half operating revennes from mobile services climbed 46 per cent, from FFr4.9bn to FFr7.2bn, accounting for 9.4 per cent of overall revenues, against 6.6 per cent a year ago. Mr Bon said the discussions with Enel were "progressing favourably".

Cedel to raise $300m for investment and expansion

By Vincent Boland in London

Cedel Group, tha Luxembourg-based clearing and settlement house, is raising up to $300m to pay for an investment and expanston programme which will include preparations for European monetary union and the "millennium bomb".

The move will increase Cedel's authorised capital threefold to $450m. Cedel, which is owned by 95 international financial institutions and handled more than $13,000bn of securities transactions last year, said it would launch a one-for-ona rights issue to raise the finance.

The company said the funds would be used to prepare technological systems for the advent of the euro, the provision of real-time and continuous settlement, and "year 2000 compliance" – overcoming the threat that computer systems might not recognise the millennium.

The expansion also includes the establishment of a new securities processing system designed to reduce the cost of securities transactions. Cedel said its investment programme would "result in significant improvements in products, services and customer support".

André Lussi, chief executive, said rising competition and falling margins were "particularly evident" among clearing and custody suppliers, which has forced many financial institutions to sbandon their own services.

The issue, which is not being underwritten, will be made to existing shareholders next month. A spokesman said the issue was a "voluntary subscription" – if an existing shareholder declined to buy new shares, other shareholders had the right to take an extra allotment.

Cedel, which also supplies custodial services, was formed in 1970 to minimise risk in the settlement of cross-border securities trading, especially in the eurobond market.

Since then, it has sought to compete with Euroclear, the other main European settlement house based in Brussels, which is undertaking a similar investment programme financed mainly from internal resources.

Cedel'a turnover is dwarfed by that of Euroclear, which lsst year settled some $35,000bn of transactions.

Fuji Bank to sell $25bn assets

By Gwen Robinson in Tokyo

Fuji Bank is planning to cut tts asset base by Y3,000bn ($25bn) as part of the most ambitious securitisation by any of Japan's top 20 banks. The sale is worth 50 per cent more than the bank specified in its original plan, disclosed in July, and exceeds the scale of similar initiatives by rivals such as Sumitomo.

The bank planned to sell Y1,000bn worth of loans by the end of this month, up to Y300bn of which would be in the form of asset-backed securities and commercial paper, a Fuji Bank official said yesterday.

Asset-backed securities are backed by the income stream from collateral such as mortgage repayments, credit card receivables and loan portfolios.

The move reflects Fuji Bank's new drive to strengthen its financial base and better meet competition unleashed by the government's "big bang" financial reforms. Its return on equity is expected to increase from 3.48 per cent to at least 5 per cent as a result of the move, while Fuji hopes to increase its capital adequacy ratio – which measures equity and reserves as a percentage of assets – from 9.2 per cent to at least 10 per cent.

The asset-backed securities to be issued this month will be sold mainly to domestic institutional investors, while the bank will raise some Y700bn by selling loans directly to foreign and domestic banks in the form of "participatory loans". Fuji's trust banking subsidiary will oversee the issue of the asset-backed securities by a "special purpose company". However, the parent bank would guarantee the paper in order to ensure that it gained the best credit ratings, the official said.

If the entire Y3,000bn plan proceeds smoothly, it will reduce Fuji's loan portfolio by about 5 per cent by the end of March.

The bank also plans to sell off and securitise non-performing loans at a future date.

The Fuji Bank official said the plan also reflected a change in management thinking to "an American style of banking".

Hokkaido bank tie-up talks fail

By Paul Abrahams in Tokyo

Talks aimed at fixing terms for the merger of two of Japan's biggest banks, Hokkeido Bank and Hokkaido Takushoku Bank, broke down yesterday, with the banks admitting publicly for the first time tbet tbe merger may bave to be postponed, if not abandoned.

Tsuneo Fujita, Hokkaido Bank president, said: "It is becoming difficult for us to merge next April as we had planned."

The merger's collapse would be a blow for Japan's ministry of finance. It hed been hoping to orchestrate the rescue of Hokkaido Takushoku Bank, also known as Takugin, which has been struggling under the burden of bad debts.

Many of its customers took out large loans in the late 1980s but were no longer eble to service them when property prices collapsed in 1991. The bank is the largest lender in the northern island of Hokkaido.

Mr Fujita and Sadamasa Kawatani, president of Hokkaido Takusboku Bank, have been meeting all week to try to rescue the merger.

Since the start of the month, Takugin's shares have tumbled 8 per cent on rumours of the merger's difficulties. They closed yesterdsy at Y113. Hokkaido Bank's shares have risen 1.4 per cent over the same period, closing at Y140.

Analysts believe the talks collapsed over disagreements on the definition of Takugin's bad debts and their disposal. In March 1997 the bank officially admitted to non-performing loans of Y933bn ($7.8bn) on a portfolio of Y6,971bn.

But many believe Takugin's bad debts may be much higher because of the performance of its affiliates, whose asset quality details have remained murky.

Other etumbling blocks may have been difficulties in deciding on cost-cutting measures. Ths banks often have branches neighbouring each othsr in Hokkaido. Staff are known to have opposed the merger.

Hokkaido Bank is also understood to have been irritated by Takugin's alliance with Barclays, of the UK. This was announced in June, apparently without consultation with its merger partner. The alliance involves securitisation of Takugin's loans and the distribution of investment trust products.

The break-down of the talks poses a problem for the finance ministry. It hopes the merger will etill go ahead, but if it fails Takugin will still require additional capital.

This week, Takugin is reported to have asked leading commercial banks and life assurance companies to convert its debt for equity. This would allow it to write off bad dsbts without the bank's capital-to-risk-assets ratio breaching the internationally approved minimum.

However, Brian Wsterhouse, banking analyst at HSBC James Capel in Tokyo, says the commercial banks at least are unlikely to prop up s competitor.

The moet unpalatable option for ths ministry would be an injection of public funds. The ministry could use the Deposit Insurance Corp, Japan's banking safety fund, to purchase some or all of Takugin's loans. Regulations were recently changed that would allow this.

The bank's failure, given that it accounts for about 10 per cent of Hokkaido's GDP, is politically unthinkable, says Mr Waterhouse.

Nan Ya to spin off PCB business

By Laura Tyson in Taipei

Nan Ya Plastics, the Taiwanese petrochemicals company, plans to spin off its printed circuit board unit into a separate company soon to allow for greater flexibility.

The directors of Nan Ya, Taiwan's biggest industrial company and a key member of the Formosa Plastics group, have approved the establishment of Nan Ya Printed Circuit Board. Applications have been submitted to the appropriate government agencies, said Wu Chia-chao, a company director and spokesman.

The spinning off of the printed circuit board unit will allow the new company to react more quickly to changing market conditions and be more competitive. Printed circuit boards are e basic electronic component.

Nan Ya plans to list the new company on Taiwan's over-the-counter stock market within three years. It also plans to spin off its copper-clad laminate unit.

Nan Ya Technology, a subsidiary of Nan Ya Plastics, is also preparing to list on the OTC market later this year or early next. Fifty-two per cent-owned by Nan Ya Plastics, Nan Ya Tech forecasts pre-tax profits of T$3bn (US$105m) in 1998 – its first profit ever.

Established in 1995 to produce computer memory chips, Nan Ya Tech is expected to have a pre-tax loss of T$700m this year.

Nan Ya Plastics is expected to reach forecast pre-tax earnings of T$9bn this year, of which 35-40 per cent will come from electronic products, printed circuit boards and copper-clad laminates.

The company's core business of plastics products, polyvinyl chloride (PVC), and polyester fibre, will maintain revenue levels from last year, but earnings will fall off due to depressed prices. PVC prices were low throughout the first half of this year, and are only now beginning to rise.

Analysts expect the company's pre-tax profit to grow 30 per cent next year, the bulk of which will come from Nan Ya Tech's return to profitability.

YTL targets SE Asia after devaluations

By James Kynge in Kuala Lumpur

YTL, the Malaysian power, construction and leisure gronp, is "vigorously" studying investment opportunities in south-east Asia that have arisen because of the recent currency devaluations, particularly the Thai baht.

Francis Yeoh, YTL managing director, speaking as the company announced its full-year financial results yesterday, said that unspecified negotiations were taking place.

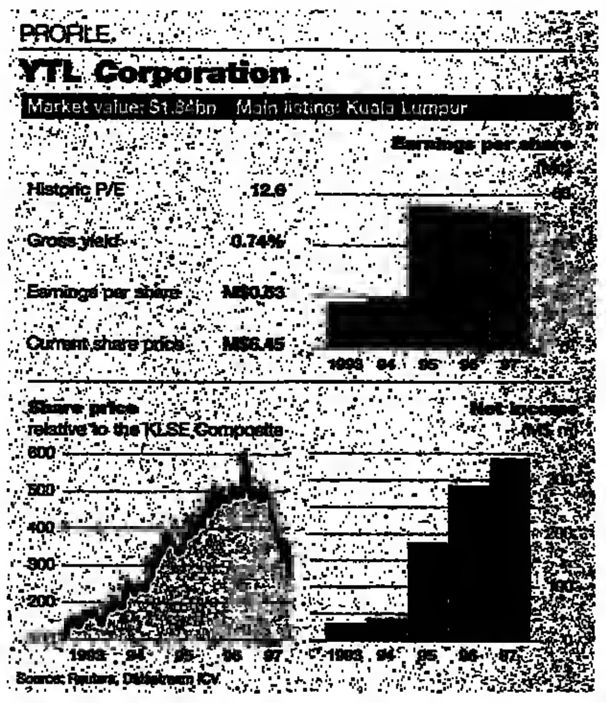
He noted that several independent power producers in Thailand are facing difficulties in implementing their operations.

Schemes under review in Thailand as a result of the baht's decline include six power projects worth about $6bn. Private-sector sponsors include electricity beavyweights such as Westingbouse, Bechtel, Marubeni and PowerGen, which have agreed to provide 5,472MW of power by 2003 at a lower price than the production cost for the state Electricity Generating Anthority of Thailand (Egat).

But these companies, which based their bids on an exchange rate of Bt25 to the US dollar instead of the current Bt35, have demanded that Egat renegotiate power purchase agreements so that new financing can be obtained. Egat accepts that the agreements need to be changed.

YTL, which this year spun off its power operations into a listed subsidiary, YTL Power International, has ambitions of becoming a key regional power company. It embarked this year on a joint venture in Jiangxi province, eastern China, which is to have an initial generating capacity of 600MW.

It is also negotiating for a 51 per cent stake in the large Zimbabwean Hwange plant. These talks have run into delays, but Mr Yeoh said: "There is a will to complete this deal."



The group reported a 32.82 per cent increase in pre-tax profits from M$356.28m to M$473.22m (US$162.7m). Turnover climbed 24.5 per cent from M$1.59bn to M$1.98bn, while operating profits rose 71.7 per cent from M$172.97bn to M$296.93bn.

Net profit was boosted by a M$784m extraordinary gain from the disposal of a stake in YTL Power at the time of its listing. As e result, net profits climbed 193.5 per cent from M$383.8m to M$1.13bn – the first time they have risen above M$1bn.

The jewel of YTL's business remains its power concern. It was Malaysia's first independent power producer, and the 15.5 cents per unit which it is due to receive for the next 19 years from Tenaga, the national power utility, is the highest unit price paid to local IPP's. However, it is not due to be adjusted with inflation.

Mr Yeoh said he did not think that an economic slowdown which is materialising in Malaysia would lead to a fall-off in YTL's profits or turnover.

HK group drops Sydney hotel plan

By John Ridding in Hong Kong

Hong Kong and Sbanghai Hotels is abandoning plans to build a hotel on the Sydney harbour front and will revert to its original scbeme of building an all-apartment complex, the company said yesterday.

Pierre Boppe, chief executive, said the group had been unable to find an economical scheme for the hotel. "We fully understand the disappointment this msy cause the Sydney sutborities, who have been tremendously supportive of our attempts to find a mutually beneficial solution," he said.

According to Hong Kong and Shanghai Hotels, work is continuing on the foundations of the site, with the first phase of the apartments almost complete. The company said the remainder of the sité will be complsted before the 2000 Olympics.

Development of the site has prompted controversy in Australia, where opponents claim it will damage the city skyline. Several thousand demonstrators protested against the development.

Hong Kong and Shanghai Hotels said the decision not to build a hotel was purely commercial and unrelated to the controversy over harbour-front developments.

Tbe company said tbe debate over the site predated its acquisition by the group. "When the previous buildings were knocked down, nothing was put up for a while. So people got used to the space."

Trend Micro set for Tokyo listing

By Laura Tyson

Trend Micro, a leading maker of anti-virus software, plans to list on the Tokyo stock exchange in mid-1998 to become the first Taiwanese company to go public in Japan.

Taiwan is better known for its dynamic computer hardware, components and semi-conductor industry than for software, but Trend is the most successful company to emerge from the country's fledgling software sector.

Softbank, a Jspanese financier in the high-technology sector, has agreed to help arrange the listing on Japan's over-the-counter exchange, according to Trend. Softbank holds a 35 per cent stake in Trend.

Trend, whose PC-cillin anti-virus software is popular in Taiwan and Japan, has no plans to list on the Taiwan stock exchange. The company has a 70 per cent share of Japan's anti-virus software market and derives half of its revenues from Jspan.

Trend expects to list an initial 18m sbares in the over-the-counter market and switch subsequently to Tokyo's main exchange. If the Japan listing goes smoothly, the company may seek to list in the US in 1999.

The company, which employs 300 people, had 1996 profits of $9.5m on sales of $35.5m.

In the first half of 1997, profits totalled $10.5m on sales of $29m.

Thai finance group assets sold

By Ted Bardacke in Bangkok

Krungthai Thanakit (KTT), the finance and securities arm of the state-owned Krung Thai Bank, plans to take over many of the assets and liabilities of General Finance & Securities, a finance company shut down by Thai anthorities last June.

The mova potentially serves as a model for Thailand's 58 suspended finance groups which are unable to rehabilitate themselves by an injection of new capital.

Using the Purchase and Assumption method promoted by Thai authorities, KTT will take over good assets from GF's finance business and assume some of the company's liabilities. This amount is subject to due diligence and negotiation between the two companies.

What will remain of the finance side of GF will be "a qualified basket case" of bad assets, remaining liabilities and shareholder equity that will have to be written off, according to a GF executive.

Creditors of GF – including the Bank of Thailand, which must approve the deal – may object to asset stripping and file suit to halt the process. Depositors will be protected by Thai anthorities.

What happens to the remaining bad assets is subject to a restructuring of the finance sector to be worked out by Thai anthorities, the World Bank and the International Monetary Fund.

GF is still negotiating with a foreign brokerage house to sell its securities business, with proceeds to be used to reduce liabilities. The success of those negotiations depends on Thai authorities' waiving the 49 per cent foreign ownership limit on financial institutions, on permission for the foreign partner to assume only the commercially viable margin loans, and on approval from the Securities and Exchange Commission and the Bank of Thailand for an immediate and complets separation of the finance business from tha securities arm.

Separate negotiations are under way to determine what will happen to the licence to set up a new commercial bank held by a GF-led group.

KTT said the deal with GF is one of eight the company plans with suspended finance companies. The deals are expected to be completed by the end of the year, pending approval from the Bank of Thailand, the Finance Ministry, the Securities and Exchange Commission, the Stock Exchange of Thailand and the special committee dealing with the suspended finance companies and ehareholders.

KTT is ons of five healthy finance companies selected by Thai authorities to lead the consolidation of the finance sector. Ons of those companies, Phatra Thanakit, said last week it had no interest in taking over any other finance companies, suspended or not.

ASIA-PACIFIC NEWS DIGEST

Exceptional gain lifts Shum Yip

Shum Yip Investment, the China-backed property developer, said net profits rose 42 per cent to HK$132.2m ($17.1m) for the six months ended June 30, compared with HK$93.6m in the same period the year before. The Hong Kong-listed vehicle of China's Shenzhen municipal government said its bottom line was lifted chiefly by an exceptional gain of HK$45.4m, received as interest income on subscription money for the company's initial public offering of 250m shares. Shum Yip was listed on Hong Kong'e stock exchange on March 7.

The company said operating profits also increased, to HK$118.5m, compared with HK$87.5m previously. Revenues rose 12 per cent in the period, from HK$405.1m to HK$451.8m.

Shum Yip will pay an interim dividend of 2.3 HK cents per share for the first half of the year. *AP-DJ, Hong Kong*

■ RETAIL

Abnormal costs hit David Jones

David Jones, the Australian retailer, announced a 90 per cent drop in after-tax profits for the year ended July 26, to A$7.1m (US$5.2m), owing to abnormal costs as part of a strategic review of its operations. The company reported pre-tax losses of A$37m, relating mostly to the closure of two stores in South Australia, the restructuring of five other stores and a change in accounting treatment for inventories. Earnings before abnormal items and tax were also weaker, falling from A$86.1m a year ago to A$48.4m.

The company attributed the "disappointing" trading results to increased markdowns and lower sales in the first half, particularly in clothing, and a rise in administration costs following the opening of three new stores. However, gross profits in the second six-month period were slightly higher than in the same period a year ago. Sales for the 12-month period were flat at A$1.44bn. However, on a comparabls store basis they declined 3.2 per cent.

A final dividend of 3 cents a share was declared, taking the total payout to 7 cents a share, down from 13 cents a year ago. Earnings per share fell from 18 cents to 2 cents in the year.

David Jones said that trading conditions have improved in the past four months, but the non-food retail environment was not expected to be "materially" stronger over the year. "Growth in operating profit will depend more on how effectively management implements recently adopted strategies, rather than an improvement in the economy," it said. *AP-DJ, Sydney*

■ JARDINE STRATEGIC HOLDINGS

Share conversion announced

Jardine Strategic Holdings, the Hong Kong-based company, said on Tuesday that holders of its convertible preference shares were required to convert their shares compulsorily to ordinary shares. The company which has a primary listing in London said the preference-share conversion was in accordance with their terms following the ordinary share price reaching the level prescribed within the bye-laws for the required 30-day period. The exercise will result in about 174m fully paid ordinary shares being issued, representing about 14.3 per cent of Jardine Strategic's enlarged share capital.

The company said preference shareholders would receive the preference dividend pro-rata until October 10, the expected date of conversion. However, they will not rank for the interim dividend for 1997 payable on the ordinary shares. *AP-DJ, Hong Kong*

■ CONSTRUCTION MACHINERY

Komatsu winds up subsidiaries

Komatsu, Japan's largest maker of construction machinery, is to liquidate two subsidiaries producing and selling electronic devices for air-conditioning equipment.

The subsidiaries are Osaka-based Unizon and Unizon Technology, which is located in Singapore. Both manufacture semiconductor products used as temperature sensors for household and car air-conditioning equipment. Since being set up in 1989, the companies have continuously run operating losses, and losses last fiscal year totalled about $5m.

Komatsu has production facilities in Brazil, Indonesia, UK and ths US. *AP-DJ, Tokyo*

■ SOUTH KOREA

Coors may bail out joint venture

Coors, the US brewer which belped Jinro Coors Brewing, its Korean joint venture, to avoid insolvency is considering recapitalising the venture, according to Jinro Group. Coors which holds a 33 per cent stake in the venture, will send a delegation this month to meet creditors of Jinro Coors Brewing and brief them on measures to bail out the joint venture, a group spokesman said. *AFX-Asia, Seoul*

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Dell tops corporate sector of PC market

By Louise Kehoe in San Francisco

The leading US *manufacturers* of personal computers are facing mounting competitive pressures as they vie for bigger shares of the lucrative business segment of the market.

Yesterday Dell Compnter, the leader in "direct" sales of PCs via telephone and internet orders, announced it had overtaken Compaq Computer to become the biggest supplier of desktop PCs to corporations in the US, citing new market data from International Data Corporation.

According to IDC, Dell achieved an 18.4 per cent share of the business segment of the US market in tbe second quarter of this year, *pushing Compaq into second place* with a 16.5 per cent market share.

Even as Dell was celebrating, rival Gateway 2000, whicb also sells PCs direct, launched new PC server products and a new marketing effort aimed at corporate buyers.

"We are formally entering the server market in a very aggressive fashion," said Ted Waitt, chairman and chief executive of Gateway. *The company would undercut Dell* and Compaq to gain a foothold in the market, he said. "Server manufacturers have enjoyed high (profit) margins at the expense of their customers; our announcement will certainly be welcome news for server buyers."

The PC server products fill a gap in Gateway's product line and would enable the company to win a bigger share of the corporate PC market, *the company* claimed. Gateway's initiative follows that of Hewlett-Packard, whicb this week set a target to become the world's top business PC manufscturer by 2000 and moved to adopt s modified direct sales model.

Compaq recently made similar changes, allowing some resellers to assemble and configure PCs according to customers' needs. Last week Gateway admitted it did not expect to meet Wall Street earnings forecasts for the current quarter.

Outboard bid battle on the home stretch

What does George Soros, the Hungarian-born currency speculator, want with the Illinois-based company which invented the outboard motor? It's a fair bet the answer has more to do with profits than pistons.

Waves started to wash sround Waukegan-based Outboard Marine last month, when an investor group called Greenmarine Holdings made a surprise foray into a $820m agreed merger between the US's aecond largest boatbuilder and Detroit Diesel, publicly-qnoted but part-owned by the large Penkse transport services group.

Greenmarine, whicb is associated with Greenway Partners, a New York-based investment firm, and includes parties affiliated to Soroe Mansgement Fund, promptly topped Detroit's bid, offering $18 a share, $2 a share more than Detroit.

Greenmarine has yet to say what plans it has for the company. Outboard's management, meanwhile, refuses to endorse the higber bid, saying that it bas queries about Greenmarine's financing commitments.

George Soros: Outboard bid dne to close today Ashley Ashwood

That Outboard is on the auction block comes as no surprise. It was started in the early-1900s wben Ole Evinrude, an engineer involved in designing Harley-Devidson's first carburettor, began to develop outboard motors, effectively pioneering the recreational boating industry. It went on to brancb out into other areas – from power mowers to boathuilding.

Some of these businesses have since been sold. But Outboard remains the second largest manufacturer of outboard engines worldwide, after Brunswick and ahead of Yamaha. It is also the biggest boatbuilder in the US in unit terms, although Brunswick outstrips it in value.

But, if the past was illustrious, more recent times bave been turbulent. The boating industry, which blossomed in the 1980s and took Outboard to record profits, has never fully recovered from tbe early-1990s recession.

Bob Moyak, at tbe National Marine Manufacturers Associatioo, attributes this partly to a change in consumer demand in the 1990s.

"There's more emphasis on the higb-activity segment, a decline in the typical fishing boat market, for reasons unexplained, and a levelling off in other sectors." Overall, be says that traditional boat sales are still down by a third from their peak.

Outboard bas never had exposure to the "bigh activity" segment – an area which comprises jet-skis, Sea-doos and tbe like and was growing rapidly until recently.

So after several years of poor results, managemeot changes and a business reorganisation, Outboard effectively put itself up for sale tbis year. When Detroit emerged, management embraced the prospective partner. Both said tbe diesel and marine engine businesses would blend well.

But Wall Street did not agree. Outboard's shares bad been trading at around $19.50, more than 20 per cent above tbe Detroit bid, in expectation of a better offer. Directors, bowever, claimed the agreed terms were fair, given tbe company suffered a $21.6m loss in tbe six months to end-March. Detroit would also take on about $160m of debt, lifting the effective consideration to around $500m.

But amoog those directly affected by the lower-than-expected offer were some of tbe Greenmarine parties who had acquired a 9.9 per cent stake in Outboard.

So far, Greenmarine's intentions remain shrouded in sileoce. But at least one Outboard customer – tbe Genmar boatbuilding company – has raised questions over the bidder's knowledge of tbe industry, and queried how much business it would continue to give Outboard, if Greenmarine won control.

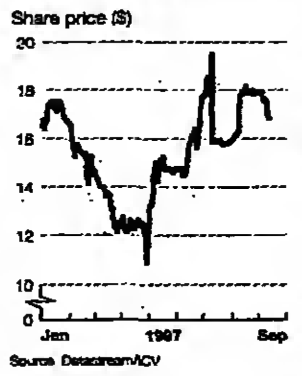
This week an endgame began to emerge. Detroit Diesel, resisting the pressure to raise its terms, extended its existing offer for a fourth time, to September 15. Greenmarine's bid, meanwhile, is due to close today.

Outboard says it wants the uncertainty to end and it has removed all tbe impediments it can to the Greenmarine bid. But if the unwanted bidder cannot win today, tbe boatmaker pledges "to act as strongly as possible" to resolve the matter, warning it is "concerned Detroit will not extend its offer" beyond Monday.

That may not be necessary. Greenmarine claims to bave support in respect of more than 70 per cent of Outboard's shares, and seems beaded for success. Finally, Greenmarine may bave to make its plans for the Waukegan company plain.

Nikki Tait

Outboard Marine



Source: Datastream/ICV

AMERICAS NEWS DIGEST

Corel warns of poor summer sales

Corel, tbe Canadian software prodncer, warned thst a sharp decline in summer retail sales would result in a third-quarter loss of US$32m. The company, releasing preliminary results, said it will probably post quarterly revenues *of $54m, in spite of having shipped orders for $96m.*

The company added that summer sales of WordPerfect and CorelDRAW were lower tban usual and tbe company was bolding excess inventory. Sales of the two software packages account for up to 95 per cent of Corel's revenues. Sales figures will be released with the third-quarter results later this month.

The company said it expected sales to increase over the boliday period in the fourtb quarter. Analysts said the preliminary results were a furtber indication tbat the retail market for the company's two primary software prodncts bad matured. Corporate sales had increased 35 per cent over tbe past 12 months, the compaoy said.

Scott Morrison, Vancouver

■ COMPUTER INDUSTRY

Amdahl purchase cleared

Fujitsu, Japan's largest computer group, has cleared all regulatory burdles in the US, Japan, Canada and Europe in its proposed purchase of Amdahl, the US mainframe computer systems company. Fujitsu said tbe combinatioo of tendered sbares and its previous ownership stake in Amdahl, would give it control of 57 per cent of Amdahl.

It added that tbe US Treasury Department's committee on foreign investment determined the transaction did not raise national security issues requiring furtber review.

Reuter, Sunnyvale, California

■ STATE FARM

Payout for policyholders

State Farm, the largest personal lines insurer in the US, said yesterday it was paying out almost $700m to its car policyholders, througb a special dividend. The largest single payment *will occur in the insurer's home state of Illinois* wbere holders of around 2.2m policies will share in a $118.7m payout. Tbe insurer, whlch remains a mutual, bas a long-standing policy of returning funds via special dividends wben claim costs are less than anticipated and "business conditions permit". *Nikki Toit, Chicago*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

P&G in $4.2m payout to settle coupons dispute

By Richard Tomkins in New York

Procter & Gsmble, nine other consumer product companies and a supermarket chain have agreed to pay out $4.2m to New York shoppers following a revolt against tbe companies' attempt to abolish money-off coupons in parts of New York State.

The companies admitted no wrong-doing, but agreed to pay out the money to consumers in the form of coupons that will appear in Sunday newspapers over an area of western New York State that includes the cities of Buffalo, Syracuse and Rochester.

Procter & Gamble has long derided coupons as an inefficient way of delivering value-for-money to consumers, saying 98 per cent of them are never redeemed. But its desire to eliminate them has been frustrated by the willingness of its rivals to go on issuing them.

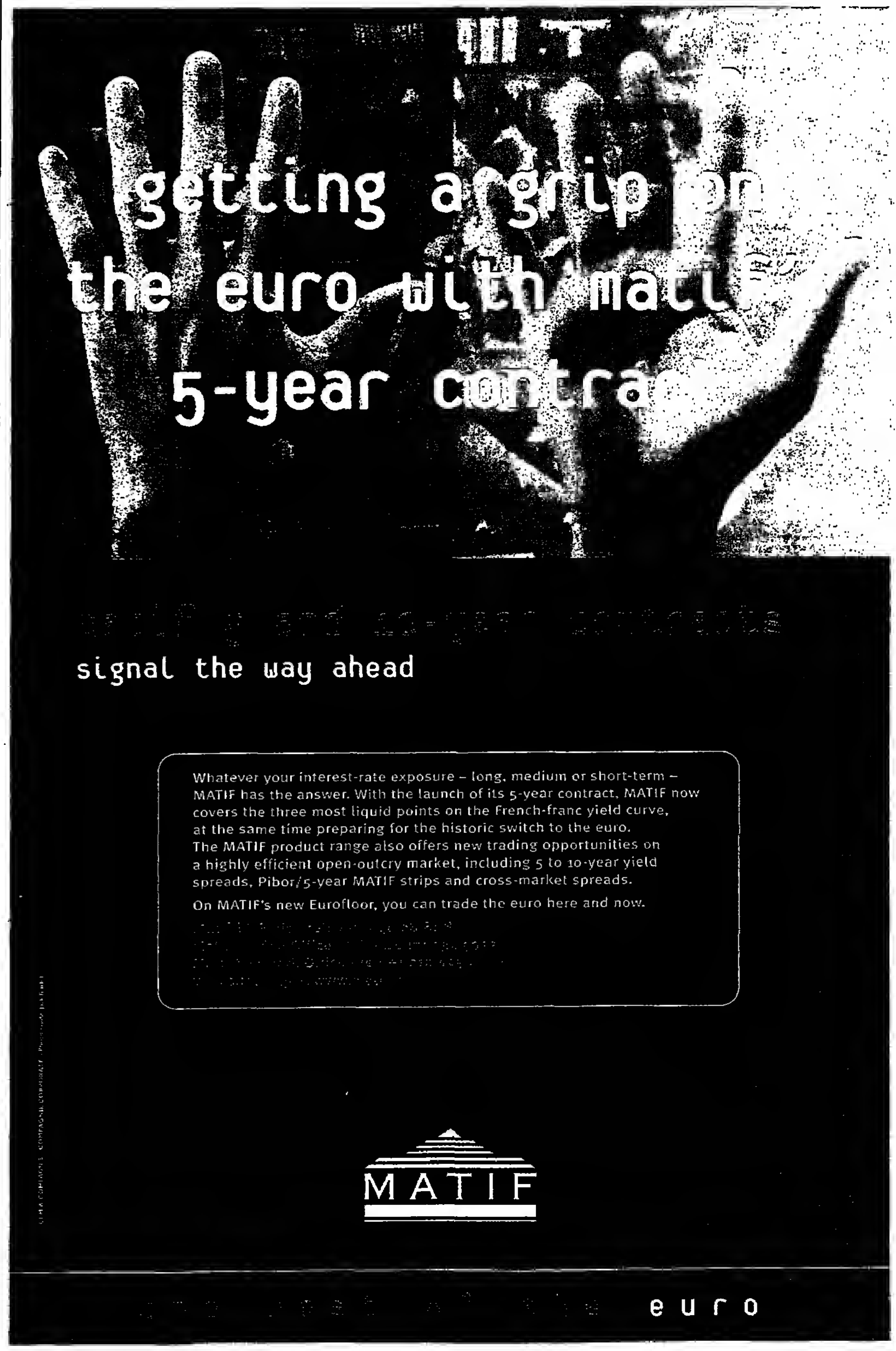
In February last year it embarked on a one-year experiment in New York State in which it eliminated coupons completely, redirecting the savings to other forms of promotion. It maintains that, on average, the prices paid by consumers remained unchanged.

However, the result was an uproar among sboppers, who felt they were being deprived of savings being offered to consumers elsewhere in the US, and the experiment provoked an investigation by Dennis Vacco, the state attorney general.

Mr Vacco focused on allegations that Procter & Gamble had colluded with other consumer goods companies to elimins te the coupons. The experiment was joined by Colgate-Palmolive, Pillsbury, Reckitt & Colman and the Wegmans Food Markets retail chain, among others.

"Many shoppers, including tbe elderly, families with young children and those on limited budgets, rely on coupons to save money on their grocery bills," Mr Vacco said yesterday.

Procter & Gamble said the allegations of collusion were unfonnded, bnt it had decided to settle to avoid protracted litigation.



FT writers report from the Frankfurt International Motor Show

GM prepares for components sell-off

General Motors, the world's biggest carmaker, could float Delphi Automotive Systems, its massive components subsidiary, "as soon as next year", according to Jack Smith, chairman.

The move would mark another crucial step in the transformation of the world components industry, which is believed to generate sales of about $250bn a year.

Many specialist manufacturers have merged or been taken over in recent years, while big carmakers have put their parts operations into separate subsidiaries to improve their transparency and competitiveness.

This week, Ford said it was reshuffling its big components operstions, which had sales of $16.4bn last year, into a new subsidiary called Visteon.

In an interview, Mr Smith said a flotation of Delphi was dependent on regulatory and shareholder approval for the transfer of Delco Electronics from the GM-controlled Hughes Electronics group to Delphi. "I'd want to see everything going right first before committing myself," he said.

"There's still work to do to square away and clean up Delphi. Once we get there, it makes sense to look at the possibility of an initial public offering," he said.

A Delphi flotation has grown more likely as management has pushed to turn round the company's profitability through the sale, restructuring or closure of many troubled plants. J. T. Battenberg, Delphi president, said the number of problem plants had fallen sharply.

"There are five or six plants we are working with which don't meet our margin requirements", he said.

Floating Delphi, the world's biggest components company with sales of $27.8bn last year, would be a further step in the revitalisation of GM in the 1990s. The group, whose shares yesterday hit a new high of $67¾, was "in pretty good shape", said Mr Smith.

He ascribed the strong share price, which has resisted much of Wall Street's recent volatility, to the company's image as a "safe haven" for investors and to the strength of the US new car market.

Although GM's market share has suffered because of strikes at some plants, Mr Smith said the company had to cut manufacturing costs resolutely. "If we're going to get them right, we've got to stand up for what we're doing," he said.

However, the rise in incentive payments to customers to shift stocks remained troubling. Incentives had risen partly because of the greater competitive challenge from foreign carmakers because of the weakness of the yen and D-Mark against the dollar, he said.

Haig Simonian

Mercedes considers Smart moves

By Haig Simonian and Graham Bowley

Smart car: Mercedes-Benz is considering developing the fruits of its joint venture with SMH into a full-range brand

Mercedes-Benz, Germany's leading luxury carmaker, could throw down the gauntlet to the world's volume car companies by using its Smart minicar brand as the basis for a second model range.

Dieter Zetsche, Mercedes-Benz board member for sales and marketing, said in an interview: "We can see Smart more and more as an opportunity rather than just a necessity."

He said no decision had yet been taken. However, he confirmed Mercedes-Benz had already adopted a much more "hands-on" approach to Smart after last month's surprise decision to raise its stake in the venture from 51 per cent to 81 per cent.

Earlier Mr Jürgen Hubbert, Mercedes-Benz head of passenger car development, referred to Smart as, "our second brand". He said: "I wouldn't rule out that this is our last move."

Mercedes-Benz has been involved in developing an innovative two-seater car for urban use with Switzerland's SMH watchmaker since the mid-1990s. The first vehicle, built at a new factory in France, will go on sale in continental Europe early next year.

Mr Zetsche said Mercedes-Benz was thinking of developing Smart as a full-range brand. If it went ahead, Smart's vehicles would be distinguished from Mercedes-Benz's models by their design and functioo, rather than their size or engine capacity, he said.

Separately, MCC, the Mercedes-Benz-SMH joint venture behind the Smart, said the first of its 100 urban "smart centres" for sales had been completed at Oberhansen, northern Germany, six months ahead of the launch.

An advertising campaign will start next month, and the company hopes to have a network of 250 sales points around its "smart centres" in eight European markets.

Output is forecast to reach 100,000 units next year, rising to 200,000 in 2001.

Any decision to develop Smart as a second brand would be in line with the steady rise in demand for nicbe vehicles in mature markets.

However, Mercedes-Benz would be reluctant to risk its prestige image by straying too far from its luxury car roots under its own name.

Meanwhile, Mercedes-Benz yesterday unveiled upbeat figures for its conventional vehicles for the first eight months of this year. Jürgen Schrempp, chairman, said car sales rose 10 per cent to DM33bn ($18.2bn) between January and August, compared with last year.

Steel vs aluminium battle heats up

By John Griffiths

Thirty-five of the world's biggest steel companies yesterday claimed rapid progress in a $22m joint research project to develop lightweight car bodies for volume production using high strength steels.

But engineering executives at the Volkswagen group, Europe's largest vehicle maker, said VW was still planning to build most of its cars – even high-volume models like the Golf – from aluminium.

The steel consortium, which includes Bethlehem Steel of the US, Nippon Steel of Japan, Krupp Hoesch of Germany and British Steel, launched its ULSAB (ultra light steel auto body) project two years ago in response to the growing threat from aluminium.

Car production is one of the world's biggest uses of steel – more than 40m car bodies are prodnced annually.

The steel project, which is led by Porsche's engineering services division, is due for completion next spring but yesterday the group said it was already demonstrating the potential for big weight and cost savings over conventional steel bodied cars.

However, a second Volkswagen/Audi group model to be produced with an aluminium body at nearly 100,000 units a year will join VW's A8 luxury car within the next five years, Winfried Burgert, head of car body development, told the Financial Times.

The A8, which has a space frame "skeleton" of extruded and cast aluminium clad with bonded and riveted onter panels, has been in production for several years.

Annual production rate is about 16,000 units.

Although it is not identifying which vehicle is next in line for production from aluminium, a small aluminium bodied Audi concept car, the Al2, was unveiled at the Frankfurt Motor Show.

This would suggest that it may be the basis for a production car, expected to be called the A2.

The four-seater A2 is forecast to be highly fuel efficient, consuming less than three litres of fuel per 100 kilometres.

Franz-Josef Paefgen, Audi management board member, says Audi wants to build "at least 50,000" A2s a year.

Dr Burgert said: "It may take 25 years to get round to the Golf – produced at a rate of around 700,000 units a year – but a takeover of car body production by aluminium is almost inevitable."

He added: "The beanty of the aluminium space frame car is that production process costs are so low – much lower than for steel – and aluminium allows greater flexibilty in the overall design and production process."

Bosch chief hits out at high German taxes

By Haig Simonian and Graham Bowley

Robert Bosch, one of the world's leading car parts and electrical goods groups, yesterday warned this year's profits would be flat because of the impact of high German costs.

"We will probably not have a major improvement in income this year," said Hermann Scholl, chairman.

Mr Scholl said profits would remain stagnant in spite of a forecast 12 per cent rise in group sales to DM4bn ($2.2bn). About three percentage points of the increase was due to exchange rate fluctuations, he said.

Mr Scholl, a trenchant critic of Germany's high tax and labour costs as a disincentive to new investment, sharply criticised the government's lack of progress to cut taxes.

His comments came as the group revealed 62 per cent of sales this year would come from outside Germany.

Mr Scholl said: "What concerns us are current political developments in Germany and the incompetence of the governing political powers to improve the situation of Germany as a place to do business quickly and permanently."

Mr Scholl predicted Bosch's automotive sales would be 8 per cent higher than last year's DM24.5bn. However, he warned income bad been dented by a "strong decline in core activity areas".

In spite of his criticisms, Mr Scholl was confident Bosch would keep pace with the consolidation of the vehicle components industry hy further acquisitions and organic growth. Bosch's turnover has climhed sharply in the past year through the takeover of the light vebicle braking operations of Allied Signal and of Amstrad's Dancall subsidiary.

Mr Scholl declined to indicate areas of interest for fnture takeovers. However, he forecast accelerated internal growth on the automotive side. The importance of direct injection diesel and petrol engine systems and of telematics and mobile communications in the motor industry – all areas of Bosch expertise – would contribute to higher sales, he said. Turnover would also benefit from this year's reorganisation of Bosch's ABS and brakes division.

The likely increase in sales of car-based navigation and traffic information systems would also play into the group's hands because of its existing activities in car electronics and telecommunications, he said.

EUROPEAN NEWS DIGEST

Thyssen makes Telecom offer

Thyssen, the Düsseldorf-based steel and engineering group, yesterday offered to buy out minority shareholders in its Thyssen Telecom subsidiary. The offer, worth about DM1.2bn ($663m) for the 28.1 per cent minority stake, follows its decision last month to sell its stake in E-Plus, Germany's third largest mobile phone company, for DM2.26bn.

Thyssen said total ownership would make easier the development of its remaining telecoms operations which are focused on fixed networks and multimedia services. In spite of the limited size of the telecoms operation, Thyssen said it remained a "potential core business". The minority shareholders, mainly banks, are being offered DM255 a share. The E-Plus stake is being transferred to o.tel.o, a subsidiary of the Veba and RWE industrial groups.

Ralph Atkins, Bonn

■ FOOD

Danone shares fall on 7% rise

Shares in Danone of France, the world's sixth largest food group, yesterday closed down 3 per cent at FFr840 in spite of a 7.1 per cent increase in net income. The figure, at FFr1.86bn ($306m), was slightly ahead of expectations. Results were helped by favourable foreign currency factors, warmer weather over the summer which boosted beverage sales, and a fall in the average rate of interest paid on debt.

Operating profit was up 3.7 per cent at FFr3.84bn, with all segments contributing to growth except grocery products, pasta and containers, where income declined over the six months. Turnover was FFr4.38bn, up 5.3 per cent. The group said it stood by its initial growth target for full-year net income of better than last year's 8 per cent. This, however, did not take into account the impact of the rise in the rate of corporate tax in France.

Bertrand Benoit, Paris

■ ITALIAN TELECOMS

TIM surges 40% midway

Telecom Italia Mobile (TIM), the fast-growing mobile telephons company controlled by the soon to be privatised Telecom Italia, yesterday reported a rise of nearly 40 per cent in first-half net profits from L440bn ($249m) to L615bn. Pre-tax profits rose from L955bn to L1,335bn. First-half revenues climbed 29 per cent to L4,338bn. In the first eight months of this year, TIM added 2m new subscribers, bringing the total to 7.7m.

Sirti, the telephone networks and systems company controlled by Telecom Italia, also reported a 15 per cent rise in first-half revenues to L696bn, although net profits dipped from L67.8bn to L59.2bn. The fall reflected lower interest earned on liquid assets. Telecom Italia plans to sell its 49 per cent stake in Sirti because it no longer considers the company a core activity.

Paul Betts, Milan

■ INVESTMENT

Israel Corp in private placement

Israel Corporation, a leading Israeli investment company, said yesterday it planned a private placement of Shk352m ($100.2m) in convertible bonds aimed at lowering financing costs hy replacing bank loans. Doron Steiger, chief executive, said the issue was aimed at domestic institutional investors, but that the group would welcome international investors. It expects to complete the offering within a month.

The bonds would be convertible into shares in Israel Chemicals, Israel Corp's 41.9 per cent-owned subsidiary and a leading Israeli chemicals group. If all bonds are converted, Israel Corp would lower its stake in the subsidiary to 35.5 per cent in seven years.

Israel Corp returned to the black in the second quarter of 1997 with net profits of Shk12m on revenues of Shk954m, after incurring net losses of Shk37m in the first qoarter of the year on revenues of Shk799m. This year an Israeli court placed the assets of Shoul Eisenberg, former chairman who died last March, in the hands of two trustees because of a family dispute over his estate.

Avi Machlis, Jerusalem

■ BELGIUM

Glaverbel sees improvement

Belgian glassmaker Glaverbel said yesterday it expected second-half earnings growth to continue following a first-half surge of 180 per cent. "With its financial structure now rationalised, the group expects its current result to improve further between now and the end of the year," it said. "In view of these prospects, it is considering payment of an increased dividend." Glaverbel said pre-tax profits in the first six months rose to BFr1.1bn ($29.4m), compared with BFr392m in the year-earlier period.

Reuter, Brussels

■ PRIVATE BANKING

Latsis family regroups interests

The Latsis family of Greece has reorganised its financial and banking interests into a new private banking group, EFG Bank Group. The new group's principal components are Banque de Dépôts, a Geneva-based private bank, and Private Bank and Trust, which was set up in London in 1989 and has become a leading player at the top end of the private banking market. Both will be renamed EFG Private Bank.

The group will also inclnde EFG Eurobank, the sixth largest commercial bank in Greece, which was formed through the combination of Interbank and the Greek retail banking operations of Crédit Lyonnais; Reads Trust Company, one of the largest trust specialists in Jersey; EFG Capital International, a Miami-based broker dealer; and Eurofinancière d'Investissements in Monaco. All the units were owned by the Latsis family, although many had operated separately.

With SFr1bn ($674m) of capital, the EFG group will be the sixth largest private sector bank in Switzerland. It will have 1,200 employees and SFr15bn of funds under administration and management.

George Graham, Banking Editor

CompuServe services 'to remain separate'

By Graham Bowley in Frankfurt

German publisher Bertelsmann and America Online (AOL), which this week acquired the global online services of CompuServe, have insisted that the two online businesses would continue as separate services.

Steve Case, AOL chairman, said CompuServe would retain its focns on small businesses and the professional market, while AOL would continue to target "the mass market".

He sought to reassure existing CompuServe users that they could expect the same services, using the same technology and software as they did before the takeover.

The acquisition – announced on Monday – has serious implications for the European online services market, because it marks an important strengthening of the alliance between AOL and Bertelsmann.

The two – the world's largest online service and the world's third largest media group – already have close links through AOL Europe, which they jointly own. By adding CompuServe's European online operations to their business, they could now more than double their European snbscriber base from around 700,000 to about 1.5m if they retain CompuServe's subscribers.

This is important because it will strengthen their position as they square up to Deutsche Telekom, the European market leader. Deutscbe Telekom's successful T-Online service has around 1.4m users.

The groups are competing for leadership in Germany, potentially the biggest European market, and in large markets such as the UK, ahead of deregulation of the European telecommunications industry which is expected to generate strong growth and tempt new entrants.

Bertelsmann and AOL are hoping to build a European-wide brand which cuts across borders and leaves the smaller domestic market leaders behind.

Bernd Schiphorst, head of Bertelsmann's new media division, said: "CompuServe will give us an entry into all European markets. We have a competitive situation which is very aggressive. With the deregulation of the telecoms market it will become more and more aggressive."

The acquisition is also important because it marks the latest step for Bertelsmann in a transformation, led by Thomas Middelhoff, who takes over as chairman next year, from its traditional media business based around printing and hook publishing towards new media. The move into online activities mirrors its aggressive strategy in television where it is attempting to build a pan-European business.

Daniel Bouton to take over as chairman at French banking group as Marc Viénot steps down

Net income up 36% at Société Générale

By Andrew Jack and Bertrand Benoit in Paris

A strong performance from its domestic retail operations helped lift net income at Société Générale, the French banking gronp, by 36 per cent to FFr3.7bn ($608m) for the first half of the year.

Marc Viēnot, tha chairman, who has been in charge of the bank since 1986, also announced yesterday that he would step down at midnight on October 31, just ahead of his 69th birthday, to be replaced by Daniel Bouton, managing director.

Mr Viénot used one of his final public appearances to criticise the distortions of competition in tha French banking sector, arguing that it was still possible to make a profit from these activities "with a dynamic approach to clients and with constant productivity measures".

His comments came after the integration into the results for the first tima of Crédit dn Nord, the French regional bank, which it acquired earlier this year from Paribas.

It contributed net income up two-thirds to FFr149m.

Mr Viénot said Crédit du Nord was on target to achieve a return on equity in 1999 of 10 per cent, equivalent to that earned overall by its retail banking network.

He said Société Générale would consider the acquisition of CIC, the state-owned group due to be privatised in the coming months along with its leading shareholder, the insurer GAN. He said that a bid would depend on the exact terms laid out in the offer document.

Mr Bouton criticised the rumoured rival bid for CIC by the Caisse d'Epargne network, arguing that it would lead to in-fighting between all the different regional headquarters of the two banks, with detrimental long-term effects on employment.

By contrast, he argued that Société Générale had shown with its acquisition of Crédit du Nord that it was possible to preserve jobs and allow a decentralised bank to exist as a subsidiary of a Paris-based institution.

Banking revenues rose 28 per cent to FFr21bn, and provisions were up by 18 per cent to FFr3bn.

The bank said the number of clients hed risen by 3 per cent to 3.9m, ahead of 850,000 acquired with the Crédit du Nord network.

Separately yesterday, Paribas, the French financial institution, unveiled net profits down slightly from FFr1.27bn to FFr1.21bn after a series of disposals including Crédit du Nord in tha last few months.

It said net income in comparable terms was FFr908m against FFr569m in the first half last year, after removing the effect of the capital gain last year from the sale of Banque Ottomane and BCL, and earlier this year of Crédit du Nord.

The results included a contribntion of FFr238m, against FFr145m, from Compagnie Bancaire, and FFr1.8bn, compared with FFr2.6bn, from its portfolio of investments.

Société Générale sells Edward VII site in Paris for FFr2.2bn

Société Foncière Lyonnaise, the French property company controlled by Commercial Union France, yesterday signed two property deals worth FFr2.9bn ($476m) which gives it control of a number of buildings in central Paris, writes Andrew Jack in Paris.

It paid FFr2.2bn to acquire from Société Générale the Edward VII development near Opéra Garnier, in the second arrondissement of the French capital.

In a separate transaction, it is paying FFr680m for a large property portfolio owned by GAN, the state-owned insurance gronp, nearby in the ninth arrondissement.

The buildings were held in the insurer's core investment portfolio and were not part of the lossmaking defeasance structure set up as part of a FFr24bn government rescue approved this year.

The Edward VII development, covering 70,000 sq m, contains offices, shops and accommodation, as well as the Olympia concert hall, which is being rebuilt to the original specifications.

The site's historic facades are being preserved but the rest of the old buildings cleared away for complete redevelopment.

Its sale marks the departure from the city centre of one of the most symbolic landmark sites still held by Société Générale, which last year moved its international headquarters into two purpose-built modern office blocks in La Défense.

Endesa in control on board of Enersis

By David White in Madrid

Endesa, the Spanish power utility, said yesterday it would pnsh ahead with its $1.5bn plan to hecome the leading shareholder in Latin America's largest private-sector electrical group, after winning control of a majority of the board of Enersis of Chile.

This was in spite of falling short of its original target of securing a 29 per cent stake through majority control of five holding companies with stakes in Enersis.

Opposition from shareholders of one of the holding companies, Luz, left Endesa with acceptances equivalent to a 26.2 per cent holding in Enersis.

But Endesa said yesterday that purchases of B-shares, which carry "political" rights, would be enough to ensure it effectively controlled the boards of all the holding companies and, through them, have four representatives on the seven-member Enersis board.

Enersis, which is listed in Santiago and New York, has important interests in Argentina, Peru, Brazil and Colombia as well as Chile.

The go-ahead for the Spanish group's largest foreign investment comes less than three weeks before a privatisation issue which is set to end the Spanish state's majority control of Endesa and raise up to $7.5bn.

The global offering for up to 35 per cent of Endesa's capital is expected to open on September 9, with 32.5 per cent of tha total reserved for the international tranche. The full amount would be worth Pta1,150bn ($7.55bn) at yesterday's closing price, dwarfing previous Spanish privatisations.

The issue is being co-ordinated by Merrill Lynch, Argentaria and Banco Santander. Santander's investment banking arm, Santander Investment, acted as adviser in tha Chile deal.

The group's offer to shareholders in the Enersis holding companies – known as Chispas – inclndes the option of receiving payment in Endesa shares, up to a maximum of 5 per cent of the Spanish group's capital. Endesa is almost 67 per cent state-owned.

It secured over 91 per cent control of four of the holding companies – Chispa Uno, Chispa Dos, Los Almendros and Luz y Fuerza. It also set out to obtain at least a majority of Luz, but secured less than 22 per cent. Luz holds just under 3 per cent of Enersis.

The company said it was still open whether it would purchase further shares if institutional shareholders in Luz decided to sell them on the stock market.

Its Latin American plan, announced early last month, inclndes a joint venture for investment projects in the region, known as Endesis and 55 per cent controlled by the Spanish group.

● Canadian Bank of Nova Scotia said yesterday it had signed a letter of intent to acquire a 25 per cent stake, worth US$88m, in Banco del Caribe, Venezuela's seventh-largest bank, Reuter reports from Toronto. Scotiabank announced its interest in the Venezuelan bank in August, one month after opening a representative office in Venezuela.

German bank in DM1.5bn rights issue

By Andrew Fisher in Frankfurt

Commerzbank, the German bank at the centre of recent takeover rumours, will raise around DM1.5bn ($830m) through a rights issue to help finance expansion in investment banking and other sectors and improve its capital ratio.

However, following Volkswagen's announcement that it would raise DM7bn of new capital, the Commerzbank move was an added depressant to the stock market.

The bank's shares lost DM1.90, or 3 per cent, to close at DM62.30, and some analysts were unhappy about the rights issue.

Peter Thorne, European banking analyst at Paribas, said it was "a disappointing day for shareholder value in Germany and for the banking sector in particular".

It looked like a return to the days when banks regularly raised money through rights issues when their share prices were high, he said.

Commerzbank's issue will be on a one-for-14 basis, with the price to be fixed at the start of next month. Shareholders are likely to receive the shares at a discount to the current share price, which is 60 per cent higher than at the start of this year.

The steep increase reflects mainly the expectation of further restructuring in the German banking sector, fuelled further hy the planned merger between two big Bavarian banks.

Although Commerzbank has reiterated its determination to remain independent – noting that its market capitalisation exceeds DM25bn – takeover rumours have continued. Martin Kohlhaussen, chairman, said on Monday that there was no evidence of anyone building a large stake.

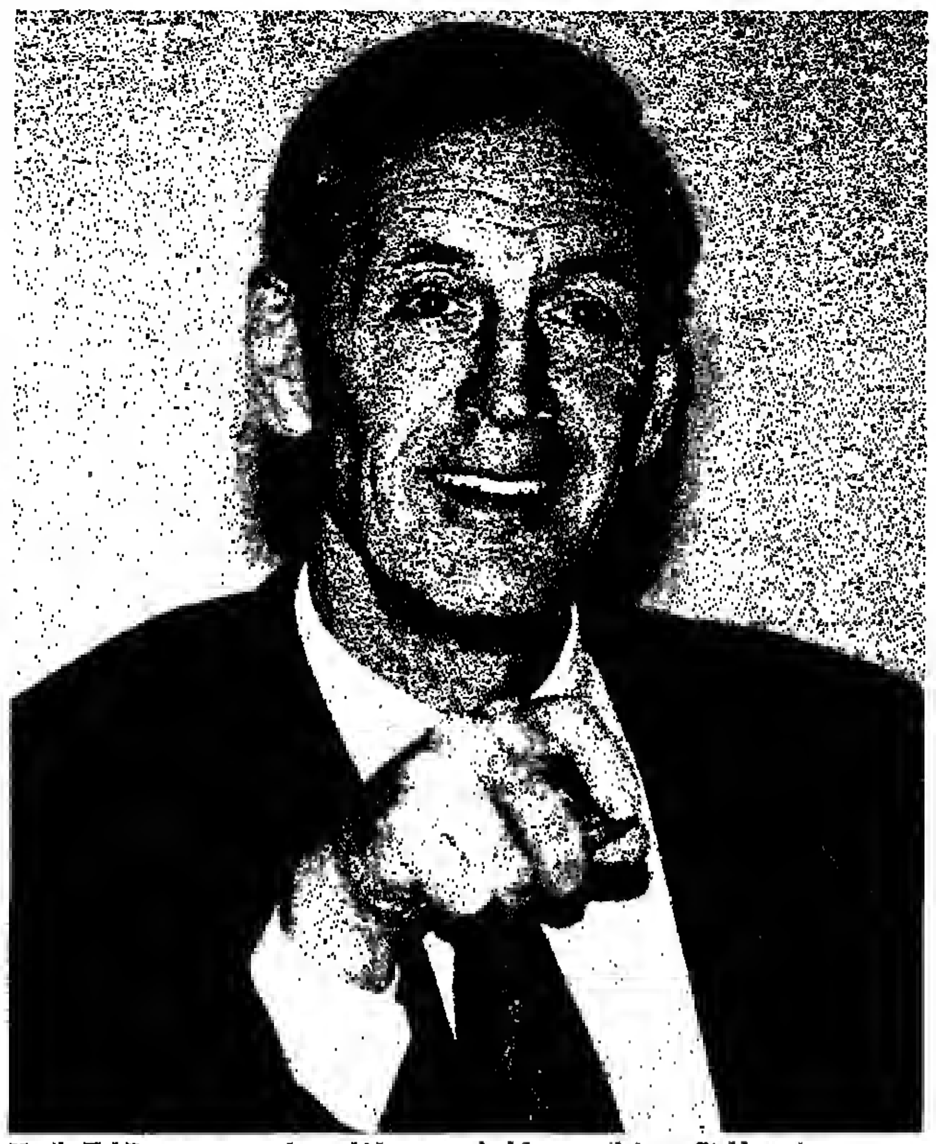
Ha added it would make little sense for a foreign bank to buy Commerzbank, with its big retail network in a country which is over-banked, and then have to sell off overlapping foreign operations.

The bank said the proceeds of the rights issne would be earmarked for growth in profitable sectors, in line with its target of a 15 per cent return on equity after tax. It also wants to strengthen its capital base.

Mentioning several recent small deals, snch as increases in stakes in Polish and Moroccan banks and a US asset management purchase, Commerzbank also said it planned to "expand steadily" in investment banking. It is hiring around 350 people to develop its global equities business.

Commerzbank said its earnings power was the strongest among leading German banks. The strong trend of the first half, with pre-tax profits climbing 25 per cent to DM1.65bn, had continued.

The bank has also held out the prospect of a dividend increase.



Martin Kohlhausen: proceeds would be earmarked for growth in profitable sectors

VA Tech lifts capital return target to 15%

By William Hall in Vienna

VA Technologie, Austria's biggest engineering company, increased net profit 7 per cent to Sch406m ($31.8m) in the first six months of 1997, and signalled yesterday that it expected to boost its return on capital employed to 15 per cent within the next three years.

The increase came in spite of a 6 per cent drop in sales to Sch11.5bn and contrasts with Böhler-Uddeholm, a former sister company and leading speciality steel producer, which reported a 42 per cent fall in net profits to Sch553m on a drop in turnover to Sch5.6bn.

VA Tech, which was partly privatised in 1994, is less exposed to the cyclical steel industry than the more profitable Böhler, which was privatised in 1995.

VA Tech has increased return on equity from 9.7 per cent in 1994 to 12.6 per cent last year. Yesterday, it announced it had set a 15 per cent target; its 10 per cent weighted average cost of capital.

The target is part of a new "value vased management" system which VA Tech is introducing to ensure that capital invested in its businesses is earning adequate returns.

VA Tech shares, which have risen nearly 50 per cent this year, fell Sch101 to Sch2,398.

VA Tech's order intaka rose 7 per cent to Sch19.2bn, in the first six months of 1997 and its order backlog rose 23 per cent to Sch88.1bn. The proportion of the order book coming from sonth-east Asia more than doubled to 14 per cent, while the share of orders from the Middle East and North Africa rose from 2 per cent to 14 per cent.

The fastest growing of VA Tech's three divisions is energy and environmental engineering, where orders rose 43 per cent to Sch7bn.

This partly reflected the impact of acquisitions bnt also the signing of big orders for hydro-electric power plants in China and Iran, an oil-fired plant in Cyprus and the modernisation of a Mongolian coal-fired power plant. This sector accounts for nearly half the group's order backlog.

Orders for plant engineering and services fell 19 per cent to Sch6.3bn, reflecting a decline in big projects for power plant engineering in Germany. Metallurgical engineering orders rose 12 per cent to Sch5.8bn, with strong demand for electric arc steel plants, rolling mills and processing lines.

Volvo eyes Ikarus stake

By Kester Eddy in Budapest

Volvo heads a list of foreign carmakers and investors expressing interest in the sale of a controlling stake in Ikarus, the Hungarian bus manufacturer.

A Malaysian investor and a domestic consortium are also believed to be among the potential bidders for the 53.9 per cent holding in the company, which has recently seen a turnround under the leadership of Gabor Szelles, the Hungarian businessman.

Mercedes, the German car maker which had been mentioned as a possible bidder, said yesterday it had no interest in the company.

Mr Szelles took over last year, when the company's future had been put in question after an initial privatisation tender failed to draw bidders. Ikarus, which produced up to 14,000 buses a year during the days of central planning, saw output drop to 800 last year.

As majority shareholder, APV, the Hungarian privatisation agency, last year faced losses of Ft4bn ($20.3m) on sales of Ft14bn.

Under Mr Szelles, the company has been revived, with first-half sales overtaking last year's full-year figures and the company Ft420m ($2.3m) in the black. Volume sales are expected to hit 1,800–2,000 units this year.

Mr Szelles, along with his management team, has also declared an interest in bidding for the Ikarus stake.

A Russian trading company, Atex, owns a 32 per cent stake from a 1991 purchase.

Ikarus aims to use its price advantage – its buses are 10-50 per cent cheaper than an equivalent western-built bus – to stake out new markets in Europe and reclaim its market lead in the former Soviet states.

Ikarus claims its vehicles are designed for the tough road conditions of developing countries in east Asia and North Africa.

INTERNATIONAL NEWS DIGEST

Scandal hits Bouygues shares

Shares in Bouygues Offshore, the French oil and gas contractor, slid 6.5 per cent yesterday to FFr260, after two executives were put under formal investigation by a Paris judge for their alleged role in a fraud scandal. The allegation of "misuse of corporate assets" against Yvan Replnmaz, chairman and director general, and Hervé Le Bouc, director general, as well as three others from Bouygues subsidiaries, relate to their suspected role in obtaining false invoices.

The investigation is a fresh blow for Bouygues, the French construction group: one of the alleged authors of the false invoices was put under investigation three months ago. In February, four Bouygues executives were subject to similar jndicial investigations.

Bouygues Offshore said yesterday the investigation would not have any impact on the activity of the company. *Bertrand Benoit, Paris*

■ SHIPPING

Frontline lifts ICB stake

The SKr3.1bn ($398m) takeover battle between Frontline and ICB Shipping intensified yesterday when Frontline said it had bought more shares in its Swedish-based target, taking the Bermuda-based tanker operator's stake to 15 per cent of ICB's capital and 11 per cent of the voting equity.

Meanwhile, ICB hit back at charges from Frontline that it had understated Frootline's net worth. ICB, which is urging its shareholders to reject the bid, said a valuation commissioned from an independent shipping brokerage estimated Frontline's net asset value at NKr28 a share – the same as ICB's own valuation. Frontline, claiming its shares should be valned at NKr32 on ICB's criteria, had accused ICB of failing to take account of differences between the two companies' operating costs, tax position and share liqnidity. *Greg McIvor, Stockholm*

■ BANKING

BCI set to take Polish stake

Banca Commerciale Italiana is today expected to sign an agreement to take a 5 per cent stake in Poland's Export Development Bank, in which Commerzbank of Germany holds 32.8 per cent. According to Polisb press reports, BRE is also expected to announce a $94.5m share issue reserved for Commerzbank which will allow the German bank to increase its stake in BRE to 48.7 per cent.

BCI is a shareholder in the International Bank of Poland, set up in 1991 as a joint venture between Credit Lyonnais of France, Dutch bank ABN Amro, the International Finance Corporation, and BRE and the Wiekopolski Bank Kredytowy (WBK), two Polish banks. ABN Amro has since established its own subsidiary in Poland and sold its stake in IBP.

The IFC is also looking to withdraw from the veoture. The BCI move into the BRE suggests that the Italian bank will soon sell its 27 per cent stake in IBP, leaving it in the hands of Credit Lyonnais, which also bolds 27 per cent. *Christopher Bobinski, Warsaw*

■ ZIMBABWE

NMBZ rises sharply midway

NMBZ Holdings, the financial group listed in Harare and London this year, yesterday reported a sharp increase in interim profits. In its first set of results since the listings, interim profits jumped 54 per cent from Z$16.01m to Z$24.73m (US$2.1m), while earnings per share rose 20.7 per cent to 103.1 Zimbabwean cents. Its first interim dividend will cost the group Z$3.69m.

NMBZ's two principal subsidiaries are the National Merchant Bank of Zimbabwe and Continental Securities Trading. The company was listed on the Zimbabwe Stock Exchange in April with a secoodary listing in London. About 10.2m shares were placed at 130p each for investors outside London in an issue underwritten by Société Générale. *Joel Kibazo*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Boots buys German skincare business

By Peggy Hollinger in London and Graham Bowley in Frankfurt

Boots, tha UK pharmacy and over-tbe-counter drugs group, yesterday fulfilled its long-beld ambltion to expand in Germany with the purcbese for DM500m ($277m) of one of the country's leading manufacturers of skincare products.

The deal closes a crucial gap in the group's coverage of rapidly growing over-the-counter (OTC) markets in Europe, where it already has distribntion networks in the UK, France and Italy through its Boots Healthcare International (BHI) subsidiary. Germany has annual sales of skincare products of some £1.6bn ($2.5bn), and is the continent's largest OTC market according to Boots.

Boots is buying Hermal Kurt Herrmann, e manufacturer and distributor of medical skincare products which has 8 per cent of the market, from Merck, tbe German pharmaceuticals and chemicals group. It reported operating profits of DM27m in 1996, on sales of DM150m.

Merck, which came to the market two years ago, has been rationalising its portfolio of businesses. "They want to concentrate on pharmaceuticals, over tbe counter and generics," said Mr Benedikt von Schröder, managing director of Merck's advisers, Morgan Stanley.

Boots decribed Hermal as a "significant acquisition", which would "speed up the international roll-out of our skincare products and strengthen our position in Europe's highly-profitabla therapeutic skincare markets".

The company plans to use Hermal's salesforce to introduce its French-based Lutsia range of anti-egeing and anti-acne products. The company said it intended to retain tha Hermal factory which would provide product for Germany, the UK and eastern Europe.

Analysts generally welcomed the deal as a key element of Boots' international strategy. It not only allowed Boots to distribute its existing skincare products in a new market, but would enhance the company's attractiveness as a potential licensee for new non-prescription products.

However, some suggested that Boots appeared to have paid a full price for Hermal, on a multiple of about 3.5 times sales, as a result of having to fight off a number of other large international bidders.

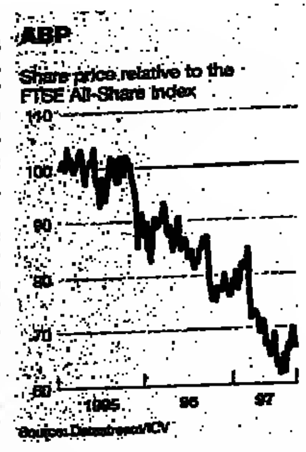
The deal would not dilute earnings in the first year and was expected to start contribnting to earnings after about 18 months. Debt as a percentage of shareholders funds would rise from 10 to 20 per cent, still comfortable for a group which generates high levels of cash.

Boots has been pursuing an aggressive expansion policy for its OTC business in recent years through BHI to balance the more mature UK retail business.

LEX COMMENT

ABP

"This is a growth company, not a utility," says Sir Keith Stuart of Associated British Ports. Really? ABP and the utilities do have at least one characteristic in common: ABP's attempts to chase growth – beyond utility-style cost-cutting in the ports – have so far proved pretty depressing. Yesterday, to be fair, the company admitted the game was up in non-port investment property. No more will be bought and part of the portfolio is to be sold by the end of next year. But what now? For a start, ABP has too much capital. With interest cover over four times, the balance sheet is already undergeared; property proceeds and lower port investment will make it more so. Tha obvious solution is a big handout to shareholders. And that, preferably combined with faster-than-expected property disposal and some imaginative ideas from the ports review now under way, would be e pretty shareholder-friendly package.



The danger is that the review's conclusions may prove more ambitious. Why not, it may be tempting to think, buy earnings growth by throwing capital et ports overseas? The thought should not be instantly dismissed; if ABP has skills, perhaps it should use them. The doubt is whether the company has the management capability – or, with Sir Keith still executive chairman, credibility – to run such distant ventures successfully. However much he may dislike the comparison, dark memories of the utilities' overseas binges are bound to lurk in investors' minds.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
AB Ports	6 mths to June 30	129	(122)	51.5♠	(46.9♠)	10.3	(9.2)	4	Nov 3	3.5	-	7.75
Black (A&C)	6 mths to June 30	3.81	(3.96)	0.203	(0.324)	9.1	(14)	4.25	Oct 21	4.25	-	14
Bostrom	6 mths to June 30	42.4	(41)	0.25♠	(3.02♠)	5.2L	(11.9)	3	Dec 2	2.9	-	7
Brent Intl	6 mths to June 30	67.8	(71.5)	5.21	(5.28♥)	4.5	(4.2)	1.1	Nov 24	1	-	3.2
British Fittings	6 mths to June 30	42	(38.1)	2.71♥	(1.32♠)	6.92†	(2.11)	1.65	Nov 21	1.35	-	4.2
Caradon	6 mths to June 30	840	(1,059)	74	(81.3)	7.2±	(7.2)	2.9	Nov 17	2.9	-	9.5
Christies Intl	6 mths to June 30	123	(106)	19.02	(15.89)	7.13	(5.94)	1.4	Oct 22	1.2	-	4.75
CIA Group	6 mths to June 30	444	(379)	3.48	(3.41)	3.52†	(2.96)	0.64	Oct 10	0.58	-	2.35
Courtaulds Texts	6 mths to June 30■	423	(481)	10.4	(8.5L♠)	7.1	(8.4L)	5.2	Oct 24	5.2	-	15.3
Crean (James)	6 mths to June 30♣	139	(155)	4.88♠	(7.53)	11.7	(15.4)	6.54	Dec 18	6.54	-	15.82
Devro	6 mths to June 30	141	(148)	25.6	(6.33♠)	10.3	(1.8)	3.1	Oct 24	2.8	-	8.5
Downing Healthcare	3 mths to June 30	-	(-)	-	(-)	-	(-)	1□	Sept 29	-	-	-
Finelist	Year to June 30	229	(106)	18.51	(8.55)	22.9†	(17.1)	5.45	Oct 22	4.5	7.65	6.4
Furlong Homes Φ	6 mths to June 30	6.89	(4.59)	0.75	(0.208)	8.5	(3.8)	2.3	Oct 17	1.4	-	3.3
Haden MacLellan	6 mths to June 30	226	(278)	6.7	(6.3)	3.8	(3.7)	1.3	Oct 31	1.2	-	2.8
Highcroft Inv	6 mths to June 30	0.729‡	(0.685)	0.727♥	(0.663♥)	8.2	(8.1)	2.35	Nov 3	2.2	-	6.15
Ind Newspapers♣	6 mths to June 30■	289	(183)	39	(26)	7.58	(6.74)	2.6	Oct 31	2.3	-	6.89
Lionheart	6 mths to June 30	8.64	(10.5)	0.385	(12.8L♠)	0.4	(45.1L)	0.1	Nov 8	nil	-	nil
London Forfaiting	6 mths to June 30	1,192	(886)	21.22	(16.57)	15.22	(11.68)	8	-§	3.7	-	11.2
Meggitt	6 mths to June 30	131	(132)	13.64	(11.87♥)	4.1	(3.7)	1.5	-	1.35	-	4.2
Midland Indpdt	6 mths to June 30	67.2	(56.4)	11.42♠	(3.69♠)	5.58	(1.17)	2	Oct 23	1.3	-	3.8
Norwich Union	24 wks to June 15*	2,247§§	(5,012)	335	(528)	11.9	(18.9)	-	-	-	-	-
Quester VCT	6 mths to July 31	0.59‡	(0.22)	0.372	(0.131)	1.2	(0.8)	0.79	Oct 7	0.75	-	2
Saltire	28 wks to July 12	67.4	(92.3)	1.37L	(2.05)	6.8L	(5.02)	-	-	-	-	1.2
Stat-Plus	6 mths to June 30	8.91	(6.98)	1.36♠	(2.1)	5.1	(6.6)	5.13	Oct 31	5.13	-	11.27
Telspec	6 mths to June 30■	29.7	(32.2)	2.04	(6L)	3.67	(13.75L)	nil	-	nil	-	0.1
Tudor	6 mths to June 30	8.76	(8.01)	0.457	(0.224)	2.69	(1.35)	1	Nov 12	0.33	-	2
UniChem	6 mths to June 30	833	(718)	26.9	(25)	10.1†	(9.6)	3.3	Dec 31	3	-	8.8
United News	6 mths to June 30	1,084	(1,039)	174.8♥	(119.6♠)	25.2†	(16.2)	11★	Oct 11	8	-	23.5
Whittard Chelsea	Year to May 31	27	(21.8)	2.51	(1.8)	9.9†	(7.8)	2.1	Nov 28	-	3.1	2.4
Williams	6 mths to June 30	930	(877)	118.1♠	(114.9♠)	10†	(11)	6.05★	Oct 3	5.8	-	15.3

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Edinburgh US Trckr.	6 mths to July 31■	474.8	(363.9)	1.95	(2.2)	2.35	(2.65)	nil	-	1.8	-	5.6
Fleming Overseas	Year to June 30	445.7	(408.8)	6.08	(6.46)	4.58	(4.86)	3.1	-	3.1	4.8	4.6
Merchants	6 mths to July 31■	359.8	(286.1)	7.76	(8.41)	7.58	(8.22)	4.65	Nov 18	3.25	-	13.65
Perpetual UK Smlr.	6 mths to July 31	323.7	(327.6)	0.611	(0.412)	4.4	(2.8)	-	-	-	-	9.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ■Comparatives restated. ±On reduced capital. ♣Irish currency. □Gross dividend. * Comparative period is prospectus 52 weeks. §Already paid. §§Gross premiums. ‡Income. ★Foreign income dividend.

Williams may sell Nu-Tone

By Ross Tieman

Williams, the fire and security products group, is considering a £150m-plus ($238m) ehare bny-back, to be funded by the sale of all or part of its home improvements business.

Sir Nigel Rudd, chairman, said: "We will probably seek shareholder approval to boy back our shares. We have speot years painting the picture and now it is time for shareholders to enjoy it."

Analysts say funds for e buy-back are likely to come from e sale of Nn-Tone, Williams' US door chimes and vacuum cleaner business. Williams has been grooming it for disposal for several years, by building operating profits to 10 per cent of its $200m a year sales. Brokers expect Nu-Tone to fetch £120m to £150m.

Approval for both the buy-back of at least 10 per cent of Williams equity and for the Nn-Tone disposal are expected to be sought at an EGM. A decision on whether to proceed will be taken within the next two months.

Newe of the likely buy-back was given alongside results for the first six months, the first since Williams £1.8bn ecquisition of UK-based Chubb, the locks maker, completed in April.

Pre-tax profits, up 2.7 per cent to £118m, were expected, but several brokers downgraded full-year forecasts by up to £10m to about £275m. They blamed a £9m e year increase in pension contributions, and the failure of profit margins to keep up with sales growth.

Roger Carr, chief executive, said Williams would review the future of its Home Improvements business. Analysts estimate the division, which includes Nn-Tone, could fetch up to £1bn.

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Rentokil pressed on US disposal

By Charis Gresser

Rentokil Initial, the business services group, has been qnestioned by investors about the future of its US plant bire business, which it inherited as part of last year's BET acquisition.

One institutional investor told the company that the business, which made operating profits of £30.5m on sales of £164m in 1996, did not fit the Rentokil portfolio of cleaning, personnel and security services.

Another said a sale "would seem an interesting point for debate, given the high multiples US plant hire businesses command".

Interest has been beightened after Prime, the US plant hire group, was sold this summer to Atlas Copco of Sweden for about $1bn, representing a multiple of 30 times earnings.

If the same multiple were applied, Rentokil could net between £600m and £700m ($1.1bn) from such a sale. This would probably wipe ont its debt. Last month, Rentokil reported net debt at the half year of £454.2m.

Analysts snggest that strengthening the balance sbeet in this way would enable the company to make more acquisitions.

Christopber Pearce, Rentokil's finance director, said yesterday that the question bad been raised by institutions after the BET bid and more recently.

But he added: "We have no plans to sell the business. By running tbe business well and efficiently, one of its attractions is that it is cash-generative."

Trade shows lift Utd News

Lydia van der Meer

Lord Hollick, left, and Charles Stern, finance director

By John Gapper, Media Editor

Shares in United News & Media, the diversified television and publishing group, rose 4 per cent to 743½p yesterday after it reported strong earnings from trade shows and lower than expected operating losses at Channel 5.

United expanded its Miller Freeman trade show arm last year with the £592.5m acquisition of Blenheim.

Pre-tax profits before exceptionals rose 15 per cent from £152m to £174m ($276.7m) in the six months to June 30. Operating profits from the business services division, which inclndes Miller Freeman, rose from £51.2m to £87.2m, contributing 45 per cent of group profits. The figure excluded e £8.7m operating loss from Channel 5 for the first three months of the venture.

The other shareholders of Channel 5, which has an audience share of 3 per cent compared with a target of 5 per cent, are Pearson, owner of the Financial Times, Warburg Pincus, the US venture capital company, and CLT, tbe Luxembourg broadcaster.

Lord Hollick, United's chief executive, said Channel 5 was "performing in line with or ahead of our expectations". The channel was trying to improve its reception throughout Britain and strengthen its schedule with films.

He said the prolonged circulation decline of the Daily Express seemed to have been stemmed, and that the newspaper's circulation had risen "a fraction" year-on-year. "Thet is a remarkable achievement after many years of decline," he said.

Lord Hollick called on the government to spread taxation of commercial broadcasting to include BSkyB. At present tbe ITV network companies pay total annual taxes of £400m, and a contribution from Channel Four is being phased out.

United, whicb owns the TV broadcasting franchises Anglia and Meridian, bas written off £174m of goodwill in its purchase of HTV, and may write off a further £168m. It made e £57m profit on a separate sale of shares in Yorkshire-Tyne Tees.

Mr Anthony de Larrinaga, media analyst et Panmure Gordon, said the results were "slightly better than expected".

FTSE 100 changes

Five companies – Norwich Union, Billiton, Woolwich, Sun Life & Provincial and Williams – are to join the FTSE 100 index, pushing out Burmah Castrol, Mercury Asset Management, Imperial Tobacco, Hanson and Tate & Lyle.

The changes, approved yesterday at a meeting of the committee which oversees the FTSE Actuaries UK share indices, will take effect on September 22.

The FTSE 100 comprises Britain's largest companies by market capitalisation. Norwich Union, Billiton and Woolwicb, each of which came to market over the summer, are respectively the 36th, 48th and 53rd largest companies. The five excluded from the 100 will join the FTSE 250 index.

Norwich Union looks overseas

By Christopher Brown-Humes

Norwich Union said yesterdey that it had no plans for UK acquisitions as it announced interim pre-tax profits of £335m in its first results since the June float.

But the group is more open to possibilities in overseas markets wbare it is already present, citing the fragmented Spanish market as one country where there might be acquisition opportnnities. It has about 1 per cent of the life market there and nearly 2 per cent of the general insurance market.

The company, which has featured in speculation as a possible takeover target, reiterated its desire to stay independent. The rise in life company values, which has taken its market capitalisation to nearly £7bn, has made that more likely.

Profits for the 24 weeks to June 15 were nearly 10 per cent higher than a year ago, it estimated, but did not give pro forma figures, saying a "fundamental restructuring" during the flotation process had not made this possible.

Conversion costs of £14m hit profits.

Norwicb said 200,000 people bad yet to claim their free shares, worth £240m. The response from France, one of its most important overseas territories, had been particularly low.

Lex, Page 14

TECHNOLOGY

Andrew Baxter and **Anna Kochan** conclude a round-up on machine tools

Shaping the future

For manufacturers, keeping abreast of trends in machine tool technology is all about seeing the wood for the trees – without getting lost in a forest of acronyms.

They know about CNC, computerised numerical control for machine tools, and technologies such as Cad (computer-aided design), Cam (computer-aided manufacturing) or Cadcam (which brings the two together). The latest in-word is Nurbs.

It stands for non-uniform rational B Splines and is generating considerable interest in the machine tool industry and among users.

Nurbs has been around for several years in many Cad systems, where it is used as a mathematical model for drawing curved lines or surfaces. Once a design has been approved, it is normally converted into CNC data which are fed into the machine tool's controller and used to create a "toolpath" to machine the part.

The problem is that conventional NC programs, and hence the machining itself, cannot produce natural curves. These can be achieved only by linking a large number of short straight lines, which inevitably leads to machining inaccuracies as the path of the cutter will never quite achieve a smooth curve.

Nurbs comes much closer, which opens the way to more accurate machining. "Because both component and CNC paths use the same Nurbs data as their starting point, the machined result is a faithful reproduction of the designed part," says Andy Allcock, associate editor of Machinery and Production Engineering magazine in the UK.

Nurbs can also be as much as 40 per cent to 50 per cent faster than conventional metal-cutting, according to Siemens Automation, one of the world's biggest producers of CNC equipment for machine tools. This is because the large number of linear blocks necessary to produce a complex curved surface are no longer needed. With data reduced by as much as 60 per cent, bottle-necks between the Cadcam system and the CNC control can be eliminated. On top of that, the smoother path reduces wear and tear on the tool, and produces a smoother finish on the part.

The use of Nurbs in the CNC environment has been pioneered by the Siemens unit, which launched its first controller with Nurbs about two years ago. Birmingham-based Delcam International, a supplier of NC software, and Cadcam companies including Tebis of Germany have been involved in the development work.

Fanuc, Siemens's big rival, has also been working on controllers which use Nurbs, says Mr Allcock.

Nurbs-based machining should appeal particularly to subcontractors making tools, dies and other components for the automotive and aerospace industries, says John McTernan, sales and marketing manager at Siemens's UK machine tool division.

The greater accuracy could allow cheaper types of machines to be used. "You could put it on a milling machine and it could go into areas normally reserved for EDM," he says. EDM, or electro-deposition machining, uses spark erosion to cut unusual shapes with high precision.

Alternatively, says Mr McTernan, tha improved final finish on complex components such as car manifolds could remove the need for follow-on processes, such as grinding and polishing.

Mr Allcock says Nurbs controls will not be widely applied, but will satisfy a need for a particular group of machine tool users – those who wish to generate contours on workpieces at high speed. He points out that Nurbs is only one of several technical features within a Siemens CNC that help to ensure that tha actual toolpath follows the calculated one.

As usual with manufacturing innovations, the automotive and aerospace industries have been first to appreciate the significance of Nurbs-based machining for increasing their productivity and competitiveness.

Mercedes-Benz, the German car group, has been experimenting with several Siemens controllers that use Nurbs, reducing machining time for one typical complex curved part from 58 minutes with the conventional linear block method to 28 minutes. Boeing has also been using Nurbs-based machining at a plant in Wichita, Kansas, where it produces components and sub-assemblies.

AB

Two other articles on machine tools appeared on Tuesday.

New axis to grind

A machine claimed to represent a revolutionary development in grinding technology is making its world debut this week at at the Emo machine tool show in Hanover.

Jones & Shipman, based in the UK, has gone back to the drawing board and sought a new approach to the design of grinding machines. In its new machine, the Dominator, the roles of the axes are reversed, making the machine more rigid and compact.

In conventional grinding machines, the workpiece is located on a machine bed which swings back and forth beneath the rotating grinding wheel. In the Dominator, however, it is the wheel head which revolves. The only movement of the workpiece is in a vertical direction.

The improved dynamic performance provided by the new axis arrangement means the Dominator can be used both for fast metal removal – "creep feed grinding" – and for precise surface grinding for a highly polished surface finish. The two types of grinding would previously have required different machines.

Companies unable to afford two investments make do with just surface grinding but that imposes heavy time penalties, says Jeff Pratt, the Jones & Shipman engineer who created the concept of the Dominator.

"Significant savings in cycle time are possible by offering both types of grinding on one machine," he says. A hardened 50-tooth gear wheel would take about five hours to finish-grind on a conventional surface grinding machine whereas it would take one-and-a-half hours using the combined creep feed and surface grinding capabilities of the Dominator, be estimates.

Jones & Shipman is not the only company to try to combine surface grinding and creep feed grinding on one machine. Others, however, have adapted existing surface grinders or creep feed grinders to incorporate the two technologies.This, says Michael Duignan, export manager, inevitably results in compromises on performance.

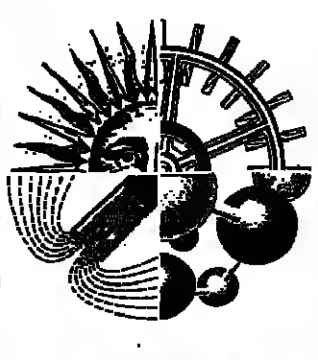
Pivotal development: the Dominator combines two grinding types

An additional benefit of the patented design is that it occupies one-half to two-thirds the floorspace of a conventional machine with equivalent table size, says Mr Pratt.

The main markets for the machine will be automotive and aerospace sectors as well as sub-contractors, including mould and die shops, says Mark Franckel, sales director.

AK

Worth Watching · Vanessa Houlder



A micro stylus made of electrons

If computers are to continue to become more powerful, new techniques will be needed to make ultra-miniature chips. One possible solution is to write patterns on chips with electron beams. That approach has usually been thought to be too slow to be cost-effective.

But scientists in the US have now built a machine that demonstrates the feasibility of a "projection" method for writing large areas with electrons. The process, called Scapel or "scattering with angular limitation projection electron lithography" may be ready for production within the next decade, in the view of the researchers at Lucent Technologies and the University of Illinois.

University of Illinois: US, tel 2173335802; http://www.oc.uiuc.edu/

Insulator turns conductor

An intriguing material that changes from insulator to conductor under gentle pressure has been developed by a UK-based electrical engineer.

When the elastomeric material is pressed or twisted, it can carry a current of as much as 7 amps, without generating heat. If the pressure on the material is removed, it reverts to being an insulator.

These highly unusual properties may be used in a range of applications, from touch-sensitive interfaces for computers to low-cost variable switches for lighting equipment.

Genovation, a UK-based technology development company, has filed patent applications covering the material and is looking for commercial partners in order to develop it.

Genovation: UK, tel (0)1845 587492; e-mail enquiries@genovation.co.uk

Prepare to receive video-mail

Anyone who is still getting to grips with voice-mail and e-mail, should brace themselves for yet another new messaging technology: video-mail.

The cost of sending videos over the telephone lines, the internet or any e-mail service is falling sharply.

Baraka IntraCom has developed a system aimed at tha mass market, which offers real-time video at up to 15 frames per second.

Users will be able to buy a television version at a cost of about £375, composed of a set-top box, camera and remote control.

They will also be able to buy a PC version that includes CD-Rom software, a video card and camera for about £200.

Baraka IntraCom: UK, tel (0)171 9383933; fax (0)171 7956512.

Swifter blood tests for diabetics

Soma people with diabetes bave to test their blood glucose levels as many as four times a day. Bayer, the German chemicals and life sciences company, has launched a device that is designed to simplify blood tests, to ensure their accuracy, and to speed them up.

The tests work by allowing glucose in the blood to react with an enzyme on a test strip, which causes a conductivity change that can be measured by a meter.

The Bayer device, developed in conjunction with the Technology Partnership, a product development company, stores the test strips in a cartridge within the meter, which protects them from moisture and light.

The strip can be removed from its packaging and prepared for the test in a single movement, halving the time it usually takes to carry out a measurement.

The Technology Partnership: UK, tel (0)1763 262626; fax (0)1763 261582.

Recovery

INTERNATIONAL CAPITAL MARKETS

Strong demand for Mexico euro deal

INTERNATIONAL BONDS

By Samer Iskandar

Mexico yesterdey launched its first bond denominated in euros, the planned single European currency.

Strong demand for the seven-year bonds led the bookrunners – Paribas and SBC Warburg – to increase the issue by E100m to E400m.

"The deal was still over-subscribed after the increase and despite its pricing at the tight end of the range," SBC said.

Paribas said the spread had tightened by about 2 basis points soon after the launch at 230 points over Ecu-denominated OATs with similar maturities.

The bonds will be traded and settled in Ecu, the basket of European currencies, until Janoary 1999, when European monetary union is due to take effect. Thereafter, the paper would automatically be converted into euros, at a rate of one Ecu to one euro.

The lead managers said Mexico wanted to establish a presence in the euro sector, which is destined to become the world's second largest market after US Treasuries.

Paribas said Mexico's deal, which follows similar issues by the EIB, Italy and Spain, showed that the euro sector was "maturing".

Emerging markets are likely to continue to be in the spotlight, with market participants braced for a flood of new paper from Argentina, Venezuela and Panama.

All three are planning to issoe plain-vanilla debt in order to retire Brady bonds issued in exchange for distressed commercial debt.

"There is strong appetite, especially in the US, for Latin American debt," said one syndicate manager.

In Argentina, the economy ministry said its forthcoming issue of global bonds would not exceed $2.5bn, in response to speculation among traders that the issue could top the $3bn mark.

Elsewhere, IDB, the Inter-American Development Bank, returned to the lira sector after an abeence of more than three years. Its bonds have e "step-down" coupon, which pays 10 per cent until 1999 and then 5.5 per cent. It follows similar deals launched recently by the World Bank and the EIB, which proved popular among retail investors.

"The 10 per cent coupon provides an attractive income," said Deutsche Morgan Grenfell, one of the three lead managers. "The reduced coupon coincides with expectations of where Italian yields will be after Emu-related convergence."

PEMEX, the Mexican oil company, launched the session's largest deal. The company raised $1bn in two tranches of bonds with 10 and 30-year maturities.

CPR, the French financial institution, also tapped the dollar sector with a $250m issue of floating-rate notes.

The lead managers, Deutsche Morgan Grenfell and Lehman Brothers, said the deal had been sold quickly with help from extensive pre-marketing.

"Investors who had attended the roadshow were among the biggest buyers," said an official in the syndicate.

He added thet there was "ample liquidity looking for floating-rate paper, because of the volatility of fixed income markets".

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
TALT, 97-A, Class A1(a)	410	6.20#	99[illegible]R	Sep 1999	0.15R	+25(5%Aug07)	Merrill/Lehman/MSDW
TALT, 97-A, Class A2(a)	650	6.35#	99-31+R	Sep 2000	0.275R	+26(6%Aug00)	Merrill/Lehman/MSDW
Pemex	600	(b1)#	(b1)R	Sep 2007	0.60R	(b1)(6¼%-07)	Goldman Sachs/UBS
Pemex	400	(b2)#	(b2)R	Sep 2027	0.875R	(b2)(6⅝%-27)	Chase/Goldman Sachs
CPR‡	250	(c)	99.935R	Oct 2002	0.175R	-	Deutsche/Lehman Bros
Halifax	200	6.25	99.555R	Oct 2001	0.225R	+20(6%Aug00)	UBS
Statoil	200	6.25	99.82R	Oct 2000	0.20R	+14(6%Aug00)	Paribas
L-Bank(s)★	110	5.82#	100.00	Sep 2000	1.20	-	IBJ Intl/New Japan
LW Rentenbank	60	6.25	99.616R	Oct 2002	0.25R	+2(6¼%Aug02)	Kredietbank Intl Group
FRENCH FRANCS							
CSFB, London Branch(d)	500	6.50	101.471R	Undated	0.80R	+79(i)	BNP/CSFB
ITALIAN LIRE							
Inter-American Dev Bank	300bn	(e)	99.746R	Oct 2007	0.325R	-	Caboto/Cariplo/DMG
World Bank‡	200bn	(f)	100.065	Oct 2000	0.35	-	BCI
PESETAS							
Norddeutsche LB(g)	10bn	(g1)	100.60	Oct 2004	1.00	-	Argentaria/BNP España
EUROS							
United Mexican States(h)	400	7.625	99.50R	Oct 2004	0.625R	+230(6%-04)	Paribas/SBCWDR
AUSTRALIAN DOLLARS							
Bayerische Landesbank	100	6.00	101.00	Oct 2002	2.00	-	Hambros Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Toyota Auto Lease Trust. Legal maturity: Apr 04. a1) Class A3: $72.75m, Mar 01 expected, 99-28+, 6.54sa. b1) Priced later 250-255bp over Treasuries. b2) Priced later 280-285bp over Treasuries. c) 3-mth Libor +12½bp. d) Fungible with FFr750m. Plus 109 days accrued. Callable from 12/6/07 at par when coupon changes to FRN paying 3-mth Pibor +170bp. e) 10% to 2/2/99, then 5½%. f) 3-mth Libor -50bp. g) Callable on 8/10/99 at par. g1) 5.9% to 8/10/00, then 6%. h) Pays in Ecu prior to Emu. Spread relates to French govt Ecu OATs. i) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

CAPITAL MARKETS NEWS DIGEST

Romania's rating outlook improves

The outlook for Romania's foreign currency debt ratings has improved as a result of extensive reforms, according to Moody's Investors Service, the US credit rating agency, increasing the likelihood thet its ratings will be raised. Romania's foreign currency ceiling is currently Ba3 on Moody's scale. No borrower based in the country can be rated above the sovereign ceiling. Bank deposits, which are capped at B1, also benefit from the improved outlook.

"The election of a centre-right government in November 1996 and the extensive reform and stabilisation programme that has been adopted are positive developments," Moody's said, but "while the direction of policy has so far been in line with the government's programme, the social consequences of the restructuring and possible labour unrest represent challenges ahead."

Meanwhile, the ratings of Thailand and of entities based there are being reviewed for a possible downgrade, Moody's said. The review affects the A3 foreign currency country ceiling and the A3 country ceiling for bank deposits. The ratings of the following financial institutions could also be affected: Bangkok Bank, Export-Import Bank of Thailand, Government Housing Bank, Hongkong and Shanghai Banking Bangkok, Industrial Finance Corporation of Thailand, Krung Thai Bank, Siam Commercial Bank and Thai Farmers Bank.

Moody's said the review would focus on the country's policy response to its present difficulties. It will also focus on problems linked to the lack of transparency in the economy and problems faced by the financial sector.

Samer Iskandar

■ FORMER YUGOSLAVIA

South Korean investors on tour

ANZ Investment Bank has taken 35 South Korean institutional investors on a tour of four former Yugoslav republics as part of its plans to launch an Eastern European Local Currency Debt Portfolio within two months.

ANZ recognises that while newly independent countries such as Slovenia and Croatia have set up viable capital markets and banking systems, Serbia and Macedonia are at an early stage of reform. Serbian officials had stressed, however, their commitment to e continued policy of low inflation and currency stability.

"These visits ehow we are serious in participating in their economies if they have value," said Tony Webb, ANZ marketing manager. "We came away with the feeling that things are starting to happen after the torrid times of war." Political risk in each of the four former republics is being assessed, ANZ said.

Analysts point out that while the economies of Slovenia and Croatia have regained their pre-war levels and are integrating into the European market, Serbia's gross domestic product is lagging far behind and economic reforms, such as privatisation and banking, are at an early stage.

Guy Dinmore, Belgrade

Treasuries fall ahead of key data releases

GOVERNMENT BONDS

By John Labate in New York and Vincent Boland in London

Government bond markets ended mixed yesterday as the focus turned to tomorrow'e release of key data from the US on retail sales and producer prices. A lack of European news kept markets there off the boil.

US TREASURIES continued falling in early trading. By midday the benchmark 30-year Treasury bond had lost $\frac{1}{32}$ to 96$\frac{1}{16}$, sending the yield up to 6.645 per cent. Shorter-term issues also inched lower with the two-year note down $\frac{1}{32}$ at 99$\frac{31}{32}$, yielding 5.976 per cent, and the 10-year note ⅛ lower at 98$\frac{3}{16}$, yielding 6.347 per cent.

Traders said competitiou from other eecurities had put pressure on Treasuries. "The main event is that there has been a lot of supply in corporate and asset-backed issuance this week," said Terrence Pigott, head of government treding et Daiwa Securities America in New York. He said uncertainty about the strength of US economic growth was also influencing prices.

The Federal Reserve stepped in to the market, buying issues ranging from March 1998 to August 1999. "We've been anticipating this move for a month, and it has helped to firm up the market a bit," said William Gamba, manager of bond trading at Cowen & Co.

No economic reports were scheduled for release yesterday, with the market waiting for Friday's releases. That left European markets trading in something of a vacnum early in the day, with most heading lower before staging brief rallies in generally modest volumes.

GERMAN BUNDS again outperformed other markets, ending up on the day in a tight range. The December contract settled at 101.78, up 0.07. Analysts said the market was finding it hard to break out of its recent range-trading pattern – the range yesterday was from 101.85 to 101.64 – although technically it was in good shape.

Support for bunds came from Bundesbank council member Franz-Christoph Zeitler, who told a German newspaper the central bank was ready to tackle inflation but there was "no immediate need" to raise interest. The remark coincided with a downward revision of the 1996 budget deficit ratio to 3.5 per cent from 3.8 per cent, suggesting Germany was more likely to meet the 3 per cent Maastricht criteria, analysts said.

ITALIAN BTPs were again hit by profit-taking and continued nervousness about the outcome of crucial welfare reform talks, which are delicately balanced. But the overall tone on Italy remains reasonably positive. The Italian treasury is expected to issue some L7,000bn of new paper today, which is likely to be well-met.

The December contract settled at 109.29, off 0.22 from the overnight level, while the spread of BTPs over bunds widened to 87 basis points from recent lows.

In FRENCH BONDS, the Matif's new five-year contract – traded on the exchange's new Eurofloor – saw turnover of more than 25,000 lots on its debut, with a price spread equal to one tick throughout. The exchange said volume was buoyed by orders from big institutions, reflected in the relatively large number of lots per transaction – over 20, on average.

The nominal September contract settled 0.06 higher at 130.30, while the December contract settled at 99.08, up 0.08.

UK GILTS had another very quiet session, with the December contract ending unchanged at 114$\frac{13}{32}$. The Bank of England's monetary policy committee meets today to discuss economic developments, but no change in its stance on interest rates is expected. The market therefore has little domestic news to provide direction, one analyst said.

WORLO BONO PRICES

BENCHMARK GOVERNMENT BONDS

Sep 10	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	03/99	8.250	101.7706	5.02	+0.05	+0.08	-0.25	-2.05
	10/07	10.000	124.8201	6.56	+0.07	+0.06	-0.27	-1.49
Austria	09/99	7.000	105.3400	4.16	+0.08	-0.06	+0.11	+0.32
	07/07	5.625	99.5600	5.66	-0.01	-0.03	-0.06	-0.69
Belgium	04/99	7.000	104.5900	4.00	-	-0.04	+0.12	+0.20
	06/07	6.250	103.6800	5.73	-0.01	-0.04	-0.06	-0.92
Canada	09/99	4.000	99.7900	4.14	-	-	-0.50	-1.31
	06/07	7.250	106.7500	6.03	+0.03	+0.06	-0.03	-1.37
Denmark	12/99	6.000	102.9600	4.56	-0.03	-0.04	+0.06	-0.24
	11/07	7.000	105.6600	6.23	-	-0.02	-0.06	-1.04
Finland	01/99	11.000	109.0760	3.85	-	-0.07	-0.01	-0.57
	04/06	7.250	109.1280	5.86	-0.01	-0.10	-0.05	-1.10
France	11/99	7.000	106.1000	3.98	-0.02	-0.07	-	-0.39
	10/04	6.750	108.4100	5.13	-0.02	-0.06	-0.06	-0.84
	10/07	5.500	99.6400	5.55	-0.01	-0.04	-0.07	-0.83
	10/25	6.000	96.8100	6.24	-0.02	-0.06	-0.14	-0.06
Germany	06/99	3.500	99.4100	3.85	-0.01	-0.11	+0.06	+0.11
	07/04	6.750	108.4300	5.25	-0.01	-0.06	-0.03	-0.85
	07/07	6.000	102.5600	5.65	-0.01	-0.04	-0.04	-0.85
	07/27	6.500	102.5100	6.31	-0.01	-0.05	-0.12	-0.77
Ireland	04/99	6.250	100.6400	5.78	-0.01	-0.01	-0.16	-0.91
	08/06	8.000	111.3200	6.30	-0.02	-0.05	-0.15	-1.28
Italy	05/00	6.000	100.5200	5.78	+0.01	-0.11	-0.38	-2.56
	05/02	6.250	101.2700	5.93	+0.03	-0.08	-0.40	-2.80
	07/07	6.750	102.4400	6.41	+0.03	+0.02	-0.24	-2.93
	01/26	7.250	102.8800	7.01	+0.03	-0.01	-0.31	-2.62
Japan	06/99	4.800	107.5100	0.51	-	+0.01	-0.11	-0.70
	12/02	4.800	116.3900	1.54	-0.02	+0.02	-0.06	-0.78
	06/06	3.000	106.7800	2.06	-0.01	+0.02	-0.06	-0.06
	03/17	3.500	109.0400	2.89	-0.01	+0.02	-0.06	-0.65
Netherlands	06/99	7.500	105.7100	4.04	-	-0.07	+0.10	+0.35
	02/07	5.750	101.2000	5.58	-0.02	-0.06	-0.07	-0.62
New Zealand	02/00	6.500	98.4174	7.21	+0.03	-0.08	-0.16	-0.88
	11/06	8.000	106.1149	7.07	+0.04	-0.07	-0.05	-1.25
Norway	01/99	8.000	105.6600	4.48	-0.01	-0.06	-0.04	-1.22
	01/07	6.750	105.6600	5.95	-0.01	-0.05	-0.06	-1.17
Portugal	03/99	8.500	104.6891	5.18	+0.01	-0.05	-0.16	-2.07
	02/07	6.625	102.5669	6.25	-	-0.05	-0.14	-2.30
Spain	07/99	7.400	104.0859	5.04	+0.03	-0.02	-0.06	-2.29
	03/07	7.350	108.0443	6.20	+0.02	-0.05	-0.14	-2.41
Sweden	01/99	11.000	107.8490	4.61	+0.02	-0.07	-0.02	-1.47
	08/07	8.000	110.1660	6.57	+0.03	-	-	-1.66
Switzerland	03/99	4.000	103.2500	1.78	-0.01	+0.12	+0.23	-0.41
	06/07	4.500	107.7500	3.54	-0.01	+0.01	+0.07	-0.62
UK	08/99	8.000	98.4065	6.90	-0.04	-0.06	-0.06	+0.72
	11/04	6.750	98.8125	6.96	-0.02	-0.03	-0.12	-0.52
	12/07	7.250	102.0938	6.96	-0.01	-0.02	-0.12	-0.92
	06/21	8.000	112.6563	6.91	-0.01	-0.03	-0.14	-1.28
US	07/99	5.875	99.8138	5.98	+0.02	+0.04	-	-0.34
	05/04	7.250	104.8810	6.32	+0.01	+0.02	-0.01	-0.38
	08/07	6.125	98.3135	6.36	+0.03	+0.04	-0.05	-0.56
	08/27	6.375	96.4688	6.65	+0.03	-0.08	-0.04	-0.46
ECU	03/99	5.000	100.7300	4.47	-	-0.07	-0.01	-0.11
	04/07	5.500	07.2200	5.88	-0.01	-0.08	-0.10	-0.97

London closing. New York midday. Source: Interactive Data/FT Information
Yields: Local market standard/Annualised yield basis.

10 YEAR BENCHMARK SPREADS

Sep 10	Bid Yield	Spread vs Bunds	Spread vs T-Bonds
Australia	5.86	+0.62	+0.20
Austria	5.68	+0.04	-0.68
Belgium	5.73	+0.09	-0.63
Canada	6.03	+0.39	-0.33
Denmark	6.23	+0.59	-0.13
Finland	5.86	+0.22	-0.50
France	5.54	-0.10	-0.82
Germany	5.64	-	-0.72
Ireland	6.30	+0.60	-0.05
Italy	6.41	+0.77	+0.05
Japan	2.08	-3.56	-4.28
Netherlands	5.59	-0.05	-0.77
New Zealand	7.07	+1.43	+0.71
Norway	5.95	+0.31	-0.41
Portugal	6.25	+0.61	-0.11
Spain	6.20	+0.56	-0.16
Sweden	6.57	+0.93	+0.21
Switzerland	3.54	-2.10	-2.82
UK	5.96	+1.32	+0.60
US	6.36	+0.72	-
ECU	5.88	+0.24	-0.48

Source: Interactive Data/FT Information
London closing. * New York closing.
Annualised yield basis.

EMERGING MARKET BONDS

Sep 10	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB-	97.4714	7.68	+0.02	+0.05	+1.42
Poland	07/00	7.750	BBB-	102.5647	6.71	+0.01	-0.09	+0.62
Russia	11/01	9.250	BB-	101.8408	8.69	+0.06	+0.08	+2.52
LATIN AMERICA								
Argentina	01/17	11.375	BB	115.7238	8.55	+0.06	+0.12	+3.04
Brazil	11/01	8.875	BB-	102.7684	8.05	+0.01	+0.20	+1.88
Mexico	01/07	9.875	BB	105.7464	8.95	+0.02	+0.11	+2.59
ASIA								
China	07/01	7.750	BBB+	102.2265	7.05	+0.06	+0.43	+0.68
Philippines	10/16	8.750	BB+	99.8980	8.78	-0.04	+0.02	+2.27
Thailand	04/07	7.375	A-	98.5070	7.59	+0.03	+0.49	+1.23
AFRICA/MIDDLE EAST								
Lebanon	07/00	8.125	BB-	103.3824	7.75	+0.01	-0.19	+1.66
South Africa	12/99	9.625	BB+	105.4000	6.98	+0.01	+0.02	+0.98
Turkey	05/02	10.000	B	104.5827	8.78	+0.02	+0.18	+2.52
BRADY BONDS								
Argentina	03/23	5.500	BB	72.8791	8.59	+2.21	+2.16	+2.00
Brazil	04/24	4.250	BB-	70.1502	6.66	+0.02	-0.25	+0.05
Mexico	12/19	6.250	BB	80.5139	8.16	+0.02	-0.24	+1.63
Venezuela	03/20	6.750	B+	81.9809	8.57	+0.02	-0.07	+2.02

London closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings.

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	130.22	130.30	+0.06	130.44	130.18	100,708	132,662
Dec	98.98	99.08	+0.08	99.22	98.96	57,320	55,771
Mar	98.38	98.48	+0.08	98.38	98.38	2	26

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
96	-	-	3.17	0.01	0.11	0.19
97	2.04	-	2.34	0.04	0.20	0.35
98	1.13	1.41	1.60	0.13	0.41	0.61
99	0.41	0.78	0.99	0.41	0.78	0.99
100	0.09	0.33	0.54	1.09	1.33	1.54

Est. vol. total, Calls 8,898 Puts 11,116. Previous day's open int., Calls 51,858 Puts 65,307.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101.67	101.78	+0.07	101.85	101.64	110413	254671
Mar	100.91	100.91	+0.10	100.91	100.91	588	196

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
10150	0.53	0.83	1.05	1.10	0.25	0.55	0.77	1.69
10200	0.27	0.57	0.78	0.89	0.49	0.79	1.00	1.98
10250	0.11	0.36	0.56	0.71	0.83	1.08	1.28	2.30

Est. vol. total, Calls 15405 Puts 25327. Previous day's open int., Calls 125040 Puts 158740

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	104.02	104.02	+0.14	103.34	103.17	16,642	806,016

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109.60	109.29	-0.22	109.73	109.14	55102	106659
Mar		109.24	-0.17			0	5

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
10900	1.49	2.17	1.20	1.93
10950	1.22	1.92	1.43	2.18
11000	0.99	1.70	1.70	2.45

Est. vol. total, Calls 2485 Puts 3953. Previous day's open int., Calls 54009 Puts 43717

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	117.97	117.85	-0.04	118.03	117.64	77,065	63,743
Dec	101.83	101.75	+0.04	101.83	101.58	17,080	14,254

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115-19	115-14	-0-01	115-20	115-12	1560	7218
Dec	115-03	114-30	-	115-04	114-26	34990	154866

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
114	1-07	1-32	1-49	2-13	0-11	0-36	0-53	1-31
115	0-30	0-59	1-11	1-44	0-34	0-63	1-15	1-62
116	0-09	0-32	0-48	1-17	1-13	1-36	1-50	2-35

Est. vol. total, Calls 2013 Puts 1549. Previous day's open int., Calls 28908 Puts 28427

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.30	97.28	+0.12	97.36	97.24	897	4,913
Dec	96.86	96.94	+0.14	97.02	96.86	488	2,220

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	113-03	112-31	-0-06	113-05	112-28	26,068	147,239
Dec	112-24	112-18	-0-07	112-25	112-13	281,842	404,831
Mar	-	112-11	-	-	-	1,268	33,979

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	126.98			127.09	126.98	3060	n/a
Mar	126.01			126.11	126.01	1712	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

US CORPORATE BONDS

Sep 10	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA-	102.6820	8.58	-	-0.01	+0.36
NY Tel	08/25	7.00	A+	94.2190	7.49	-0.01	-0.05	+0.87
CWE	05/08	8.00	BBB	106.0282	7.17	-	-0.04	+0.84
FINANCIALS								
GECC	05/07	8.75	AAA	113.5921	6.80	-	-0.07	+0.47
Banc One	08/02	7.25	A+	102.3662	6.67	-	-0.01	+0.45
US West	01/07	7.30	BBB+	101.3896	7.09	+0.01	-0.06	+0.76
INDUSTRIALS								
WMX Tech	04/99	6.25	A-	99.9421	6.28	-0.02	+0.02	+0.33
Wal Mart	05/02	6.75	AA	100.8260	6.53	-	+0.04	+0.31
Dayton Hud	08/21	8.70	BBB+	123.6021	7.54	-0.01	-0.07	+0.92
AGENCIES								
FHLMC	04/07	7.14	N/A	103.6661	6.61	-	-0.03	+0.28
SLMA	03/00	7.50	N/A	103.1073	6.13	-0.02	-0.07	+0.07
FNMA	02/18	8.95	N/A	121.0374	6.99	-0.01	-0.05	+0.37
FFCB	06/06	8.95	N/A	115.5607	6.57	-0.01	-0.05	+0.24
HIGH YIELD								
Stone Cont	02/01	9.88	B	101.5000	0.00	-	-	-
AK Stl	12/01	9.13	BB-	104.8750	0.00	-	-	-
Pacalta	06/04	0.75	B-	103.5000	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information.
Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	5.98
Broker loan rate	7¾	Two month	-	Three year	6.09
Fed.funds	5⅝	Three month	5.11	Five year	6.24
Fed.funds at intervention	-	Six month	5.34	10-year	6.35
		One year	5.58	30-year	6.64

BENCHMARK EUROBONDS

Sep 10	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
[illegible]								
EIB	02/07	5.750	AAA	100.8100	5.69	-	-0.06	-0.01
Spain	01/07	5.750	AA	100.4800	5.66	-0.09	-0.13	+0.04
Philip Morris	03/04	5.375	A	98.9900	5.56	-0.02	-0.04	+0.31
ABN-Amro	03/05	3.500	n/a	99.6506	5.56	-0.02	-0.06	+0.15
[illegible]								
Austria	01/04	5.500	AAA	102.0600	5.10	-0.01	-0.07	-0.03
Abbey Nat	02/04	8.000	AA	104.3400	5.16	-	-0.07	+0.05
Cred Foncier	02/04	9.125	A	119.2400	5.46	-0.03	-0.03	+0.35
Abbey Nat	09/06	5.340	AAr	101.0375	5.19	-0.02	-0.10	-0.23
[illegible]								
EIB	02/07	7.000	AAA	103.9000	6.43	+0.05	-0.24	+0.02
Abbey Nat	02/02	6.800	AA	102.9000	6.02	-	-0.24	-0.04
Walt Disney	06/00	8.625	n/a	105.9900	8.16	+0.03	-0.45	+0.27
Abbey Nat	03/07	8.000	AAr	99.8031	7.72	+0.05	-0.05	+1.31
[illegible]								
EIB	12/07	7.625	AAA	102.9566	7.20	-	-0.15	+0.24
Dresdner Bk	12/07	7.750	n/a	100.9897	7.60	-	-0.14	+0.64
RBS	01/07	8.375	n/a	103.9199	7.76	-	-0.18	+0.80
Abbey Nat	02/02	7.400	AA	99.9907	6.95	-	+0.16	+0.05
[illegible]								
EIB	04/07	7.250	AAA	103.3251	6.76	+0.02	+0.04	+0.40
ABN Amro	06/07	7.125	AA-	100.7175	7.02	+0.02	-0.03	+0.66
Quebec	01/07	7.000	A+	100.1926	6.97	+0.03	-0.03	+0.61
Citicorp	02/04	5.781	A+	99.6848	5.84	-0.01	-0.15	-0.46
[illegible]								
Bayer L-Bk	08/04	9.500	AAA	116.9361	6.06	+0.01	-0.06	+0.16
Toronto	05/04	8.500	AA+	112.9551	6.09	+0.01	-0.06	+0.16
Bell Canada	07/98	10.625	A+	109.9050	4.83	+0.01	-0.32	-0.03
Deutsche Bk	09/02	5.875	AAA	101.3129	5.57	+0.01	+0.02	-0.09
[illegible]								
World Bank	03/02	5.250	AAA	117.0400	1.35	-0.01	-0.06	-
Spain	03/02	6.750	AA	118.9500	1.39	-0.05	-0.17	+0.04
Cred Foncier	08/02	4.750	A	113.6639	1.81	+0.02	-0.09	+0.46
Italy	07/99	0.703	AA	100.7153	0.17	+0.01	+0.03	-0.34

London closing. Source: Interactive Data/FT Information
Standard & Poor's ratings. Yields: Local market standard/Annualised basis.

UK BONOS

FTSE Actuaries Govt. Securities

Price indices UK Gilts	Wed Sep 10	Day's change %	Tue Sep 9	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.71	0.00	119.63	2.32	7.47
2 5-15 years (21)	153.74	0.02	153.71	2.89	7.62
3 Over 15 years (4)	183.90	0.05	183.80	7.60	7.09
4 Irredeemables (4)	243.23	0.03	243.16	4.52	8.36
5 All stocks (48)	146.03	0.02	146.05	3.48	7.71
Index-linked					
6 Up to 5 years (2)	207.82	0.05	207.69	2.71	3.03
7 Over 5 years (10)	201.14	0.18	200.88	1.17	4.70
8 All stocks (12)	200.75	0.12	200.51	1.31	4.51

UK Indices

	Low coupon yield Sep 10	Sep 9	Yr. ago	Medium coupon yield Sep 10	Sep 9	Yr. ago	High coupon yield Sep 10	Sep 9	Yr. ago
5 yrs	6.96	6.95	7.20	7.03	7.02	7.28	7.06	7.05	7.33
15 yrs	6.95	6.95	8.12	6.99	6.99	8.13	7.06	7.05	8.13
20 yrs	6.95	6.95	8.22	6.97	6.97	8.21	7.06	7.05	8.23
Irred.†	7.04	7.04	8.26						

	Inflation 5% Sep 10	Sep 9	Yr. ago	Inflation 10% Sep 10	Sep 9	Yr. ago
Up to 5 yrs	3.67	3.68	2.11	2.91	2.92	0.52
Over 5 yrs	3.55	3.56	3.71	3.32	3.33	3.51

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Sep 10	Sep 9	Sep 8	Sep 5	Sep 4	Yr ago	High*	Low*
Govt. Secs. (UK)	97.34	97.34	97.46	97.25	97.22	92.86	97.88	93.31
Fixed Interest	125.89	125.58	125.62	126.25	125.83	112.87	126.68	115.32

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts* (Lives up to Five Years)						
Treas 6¾pc 1997‡‡	6.75	-	100	—	102¼	100
Exch 15pc 1997	14.86	6.71	100[illegible]	—	[illegible]	[illegible]
Treas 4¾pc 1998‡‡	4.02	7.01	115[illegible]	—	115[illegible]	113[illegible]
Exch 9¾pc 1998	9.66	6.93	100[illegible]	[illegible]	104[illegible]	100[illegible]
Treas 7¼pc 1998‡‡	7.24	7.00	100[illegible]	—	100[illegible]	100[illegible]
Treas 15½pc '98‡‡	14.30	7.03	108[illegible]	[illegible]	117[illegible]	108[illegible]
Exch 12pc 1998	11.38	7.07	105[illegible]	—	111[illegible]	105[illegible]
Treas 9½pc 1999‡‡	9.22	6.98	103[illegible]	—	106[illegible]	97[illegible]
Treas Flg Rate 1999‡‡	-	-	100[illegible]xd	—	100[illegible]	99[illegible]
Exch 12¼pc 1999	11.40	7.03	107[illegible]	[illegible]	113[illegible]	107[illegible]
Treas 10½pc 1999	9.86	7.01	105[illegible]	[illegible]	112[illegible]	105[illegible]
Treas 6pc 1999 ‡‡	6.10	6.90	98[illegible]	[illegible]	99[illegible]	96[illegible]
Conv 10¼pc 1999	9.63	6.99	106[illegible]	[illegible]	110[illegible]	106[illegible]
Treas 8½pc 2000	8.24	7.05	103[illegible]	[illegible]	107[illegible]	102[illegible]
Conv 9pc 2000‡‡	8.62	7.03	104[illegible]	[illegible]	107[illegible]	103[illegible]
Treas 13pc 2000	11.30	7.05	115	[illegible]	120[illegible]	114[illegible]
Treas 14pc 1998-1	13.38	7.04	104[illegible]	[illegible]	112[illegible]	104[illegible]
Treas 8pc 2000‡‡	7.77	6.97	102[illegible]	[illegible]	104[illegible]	102
Treas Flg Rate 2001	-	-	100[illegible]	—	100[illegible]	99[illegible]
Treas 10pc 2001	9.18	7.03	108[illegible]	[illegible]	112[illegible]	108[illegible]
Conv 9¾pc 2001‡‡	8.79	7.03	106[illegible]	[illegible]	109[illegible]	107[illegible]
Conv 9¾pc 2001	8.94	7.00	109[illegible]	[illegible]	110[illegible]	106[illegible]
Treas 7pc 2001 ‡‡	7.00	6.98	100	[illegible]	101[illegible]	98[illegible]
Exch 12pc 1999-2	11.39	7.18	105[illegible]	—	109[illegible]	106[illegible]
Conv 10pc 2002	8.98	7.04	111[illegible]	[illegible]	112[illegible]	109[illegible]
Treas 7pc 2002‡‡	6.98	6.94	100[illegible]	[illegible]	101[illegible]	97[illegible]
Five to Fifteen Years						
Conv 9½pc 2002	8.68	7.05	109[illegible]	[illegible]	110[illegible]	106[illegible]
Treas 9¾pc 2002	8.77	7.04	111[illegible]	[illegible]	122[illegible]	109[illegible]
Exch 9pc 2002	8.31	7.03	108[illegible]	[illegible]	109[illegible]	106[illegible]
Conv 9¾pc 2003‡‡	8.66	7.06	112[illegible]	—	113[illegible]	110[illegible]
Treas 8pc 2003‡‡	7.64	6.98	104[illegible]	[illegible]	105[illegible]	102[illegible]
Treas 13¾pc 2000-3	11.74	7.03	117[illegible]	[illegible]	119[illegible]	116[illegible]
Treas 10pc 2003	8.75	7.03	114[illegible]	[illegible]	116[illegible]	111[illegible]
Treas 11½pc 2001-4	10.12	7.03	113[illegible]xd	[illegible]	121[illegible]	113[illegible]
Treas 10pc 2004	8.66	7.05	115[illegible]	[illegible]	116[illegible]	113
Funding 3½pc 1999-4	4.62	5.83	87[illegible]	—	87[illegible]	81[illegible]
Conv 9½pc 2004	8.36	7.00	113[illegible]	—	114[illegible]	109[illegible]
Treas 6¾pc 2004‡‡	6.83	6.98	98[illegible]	—	99[illegible]	94[illegible]
Conv 9½pc 2005	8.31	7.02	114[illegible]	—	122[illegible]	110[illegible]
Exch 10½pc 2005	8.89	7.04	120[illegible]	—	121[illegible]	117[illegible]
Treas 12½pc 2003-5	9.85	7.09	126[illegible]	[illegible]	129[illegible]	124[illegible]
Treas 8½pc 2005‡‡	7.76	7.00	109[illegible]	—	109[illegible]	104[illegible]
Conv 9½pc 2006	8.98	7.03	118[illegible]	—	118[illegible]	113[illegible]
Treas 7¾pc 2006‡‡	7.29	6.99	103[illegible]	—	103[illegible]	97[illegible]
Treas 7¾pc 2006‡‡	7.40	7.03	104[illegible]	[illegible]	107[illegible]	97[illegible]
Treas 8pc 2002-6‡‡	7.72	7.12	103[illegible]	[illegible]	104[illegible]	100[illegible]
Treas 11¾pc 2003-7	9.74	7.00	120[illegible]	[illegible]	123[illegible]	115[illegible]
Treas 8½pc 2007 ‡‡	7.71	7.03	110[illegible]	—	111[illegible]	104[illegible]
Treas 7¼pc 2007‡‡	7.10	6.96	102[illegible]	—	102[illegible]	95[illegible]
Treas 13½pc 2004-8	10.14	7.07	131[illegible]	[illegible]	134[illegible]	131[illegible]
Treas 9pc 2008 ‡‡	7.91	7.00	113[illegible]	—	118	109[illegible]
Treas 8pc 2009	7.41	7.00	107[illegible]	—	108[illegible]	99[illegible]
Treas 6¼pc 2010‡‡	6.88	7.01	93[illegible]	—	95[illegible]	84[illegible]
Conv 9pc Ln 2011 ‡‡	7.87	7.03	117[illegible]	—	118[illegible]	107[illegible]
Treas 9pc 2012‡‡	7.63	7.02	118[illegible]xd	—	119[illegible]	108[illegible]
Over Fifteen Years						
Treas 5½pc 2008-12‡‡	6.25	6.83	88[illegible]xd	—	89[illegible]	78[illegible]
Treas 8pc 2013‡‡	7.31	7.01	109[illegible]	[illegible]	110[illegible]	97[illegible]
Treas 7¾pc 2012-15‡‡	7.28	7.03	106[illegible]	—	107[illegible]	95[illegible]
Treas 8pc 2015‡‡	7.22	6.94	110[illegible]	[illegible]	111[illegible]	98[illegible]
Treas 8¾pc 2017‡‡	7.38	6.98	118[illegible]	[illegible]	120[illegible]	103[illegible]
Exch 12pc 2013-17	8.13	7.04	147[illegible]	—	148[illegible]	136[illegible]
Treas 8pc 2021‡‡	7.19	6.91	112[illegible]	[illegible]	113[illegible]	99[illegible]
Undated						
Consols 4pc	7.27	-	55[illegible]	[illegible]	55[illegible]	47[illegible]
War Loan 3½pc‡‡	6.98	-	50[illegible]	—	50[illegible]	43[illegible]
Conv 3½pc '61 Aft	5.23	-	66[illegible]	[illegible]	67[illegible]	59[illegible]
Treas 3pc '66 Aft	7.27	-	40[illegible]	[illegible]	41[illegible]	35[illegible]
Consols 2½pc	7.01	-	35[illegible]	[illegible]	36[illegible]	30[illegible]
Treas 2½pc	7.13	-	35[illegible]	—	35[illegible]	30[illegible]

Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
Index-Linked (b)						
For Treas 4 5/8pc 1998 see Shorts						
2pc '96	1.91	3.25	189[illegible]	[illegible]	189[illegible]	179[illegible]
2½pc '01 (78.3)	2.90	3.66	187[illegible]	[illegible]	187[illegible]	182[illegible]
2½pc '03 (78.8)	3.09	3.63	184[illegible]	[illegible]	184[illegible]	178[illegible]
4⅜pc '04‡‡ (135.6)	3.14	3.61	118[illegible]	[illegible]	120[illegible]	116[illegible]
2pc '06 (69.5)	3.24	3.59	194[illegible]	[illegible]	195[illegible]	186[illegible]
2½pc '09 (78.8)	3.25	3.53	176	[illegible]	176[illegible]	167
2½pc '11 (74.6)	3.28	3.53	182[illegible]	[illegible]	183[illegible]	173[illegible]
2½pc '13 (89.2)	3.31	3.53	150[illegible]	[illegible]	151	141[illegible]
2½pc '16 (81.6)	3.32	3.52	161[illegible]	[illegible]	161[illegible]	150[illegible]
2½pc '20 (83.0)	3.37	3.54	155[illegible]	[illegible]	155[illegible]	145[illegible]
2½pc '24‡‡ (97.7)	3.38	3.54	128[illegible]	[illegible]	129[illegible]	119[illegible]
4⅛pc '30‡‡ (135.1)	3.38	3.53	126[illegible]	[illegible]	126[illegible]	117[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for January 1997: 154.4 and for August 1997: 158.5.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Asian Dev 10¼pc 2009	8.41	7.38	121[illegible]	—	123[illegible]	116[illegible]
B'ham 11½pc 2012	8.61	7.80	133½	—	134½	123
Leeds 13½pc 2006	9.82	-	137½xd	—	141½	131½
Liverpool 3½pc Irred	7.78	-	45xd	—	46	37½
LCC 3pc '20 Aft	7.89	-	38	—	39	32½
Manchester 11½pc 2007	9.09	7.76	126½	—	128½	120½
Met. Wtr. 3pc 'B'	3.66	6.55	82	—	83	79½
N'wide Anglia 3⅞pc 2021	-	3.94	146[illegible]	—	150[illegible]	139½
4⅛pc IL 2024	-	4.35	142	—	146[illegible]	134

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ※ Indicative price.

CURRENCIES AND MONEY

Recovery in Germany boosts D-Mark

MARKETS REPORT

By Simon Kuper

The D-Mark rose yesterday on signs that German domestic demand was finally starting to recover.

German gross domestic product grew 2.9 per cent year on year in the second quarter, slightly faster than expected. But the currency market's main focus was private consumption, up 1.3 per cent year on year, even though that was dwarfed by a 13.7 per cent surge in exports.

Steve Hannah, head of research at IBJ International in London, said after the data: "We're still on German interest rate alert for the next few weeks." But Carl Weinberg, chief economist at High Frequency Economics in New York, called the German data "good news but not great news". He noted that the second quarter had included two more working days this year than last, which accounted for much of the GDP rise. Exports made up most of the rest.

The D-Mark gained 0.9 pfennigs against the dollar to close in London at DM1.802. It rose Y0.4 against the yen to Y66.14.

■ Still topping the currency market's agenda are tensions between Washington and Tokyo over Japan's growing trade surplus.

The tensions stopped the US currency from recovering any of the Y2.1 it had lost on Tuesday, when Lawrence Summers, deputy US treasury secretary, had told the Financial Times that Japan must not rely on export-led growth and should instead promote domestic demand.

■ Pound in New York

Sep 10	—Latest—	— Prev. close —
£ spot	1.5890	1.5895
1 mth	1.5870	1.5874
3 mth	1.5830	1.5836
1 yr	1.5683	1.5685

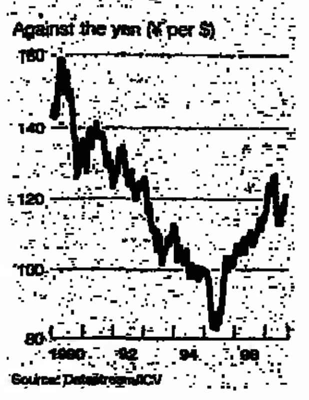
Kenneth Landon, senior currency economist at Deutsche Morgan Grenfell in Tokyo, said the market had paid much more attention to Mr Summers' words than to any from US trade officials because it is the treasury that makes US dollar policy.

Late on Tuesday, Mr Dollar himself, Robert Rubin, treasury secretary, touched on the trade issue but used mild language. He mentioned "private sector" concerns about Japan's trade surplus and slow economic growth, and said he would use the Group of Seven industrialised nations meetings in Hong Kong starting on September 20 to "try to get a much better sense of what is happening in the Japanese economy".

An unnamed US government official said: "We are currently experiencing a worsening of our bilateral trade relations with Japan." The US was "putting Japan on notice that we are expecting concrete results" from its economic deregulation.

Dollar

Against the yen (Y per $)



Source: Datastream/ICV

The dollar closed unchanged at Y119.1 to the yen, but could be moved by trade issues at least until after the G7 meets.

■ Mr Weinberg, often a contrarian, argues that trade is of less immediate concern to the US than the market thinks. Were Japan to deregulate and try to double its imports from the US tomorrow, "there's no way we could produce the stuff with a 4.8 per cent unemployment rate," he says.

He believes that Mr Summers and Mr Rubin, in talking about trade, are looking ahead to the time when the US economy will slow down. Only then would they want Japan to buy more US goods. If Japan did not deregulate, their fall-back policy would be to weaken the dollar.

So the US does not want to force the dollar down today, says Mr Weinberg. He thinks the treasury's main target is not the dollar but interest rates. Mr Rubin wants to keep these low, and a strong dollar would help him.

■ The pound yesterday closed below 100 on its trade weighted index for the first time since June 12. It stood at 99.9 on the index against a basket of currencies, having dropped 2.3 pfennigs against the D-Mark to DM2.858.

The consensus outlook for interest rates suggests that the pound has further to fall. No one expects the Bank of England's monetary policy committee to raise interest rates at the end of its two-day meeting today. Short sterling futures contracts show a virtually flat short-end yield curve, with rates forecast to rise from their present 7 per cent to 7.25 per cent soon, but then to stay static until 2000.

Paribas Capital Markets is even more bullish. It is pencilling in two 25-basis-point rate cuts for 1998, says Nick Parsons, currency strategist at the bank in London.

■ OTHER CURRENCIES

Sep 10	£	$
Czech Rp	53.6666 - 53.7796	33.8420 - 33.8920
Hungary	311.467 - 311.743	196.410 - 196.460
Iran	4760.40 - 4757.40	3000.00 - 3000.00
Kuwait	0.4838 - 0.4843	0.3051 - 0.3052
Poland	5.5297 - 5.5379	3.4870 - 3.4900
Russia	9267.42 - 9274.85	5844.00 - 5845.00
U.A.E.	5.8237 - 5.8277	3.6724 - 3.6726

POUND SPOT FORWARD AGAINST THE POUND

Sep 10		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.1096	-0.15	970 - 221	20.3155	20.0614	20.0552	3.2	19.9425	3.3	19.437	3.3	102.2
Belgium	(BFr)	59.0215	-0.4473	664 - 766	59.6100	58.8700	59.2888	3.6	58.9188	3.7	57.1688	3.9	101.8
Denmark	(DKr)	10.8831	-0.0799	781 - 881	10.9890	10.8530	10.9315	3.4	10.8675	3.5	10.576	3.5	104.1
Finland	(FM)	8.5505	-0.0683	435 - 575	8.6400	8.5380	8.5915	3.5	8.5389	3.6	8.3263	3.4	81.3
France	(FFr)	9.6104	-0.0729	034 - 173	9.7065	9.5864	9.6503	4.1	9.5933	3.7	9.3178	3.8	104.7
Germany	(DM)	2.8577	-0.0228	560 - 594	2.8884	2.8498	2.8712	3.9	2.8521	3.6	2.7652	4.0	102.7
Greece	(Dr)	449.684	-2.408	415 - 953	453.993	448.640	453.875	-4.7	456.499	-3.9	464.867	-2.8	65.2
Ireland	(I£)	1.0615	-0.0034	604 - 626	1.0671	1.0588	1.0644	0.6	1.063	0.7	1.0521	1.2	100.6
Italy	(L)	2790.07	-17.96	833 - 182	2814.68	2779.31	2808.11	0.0	2808.08	0.0	2805.48	0.1	76.1
Luxembourg	(LFr)	59.0215	-0.4473	664 - 766	59.6100	58.8700	59.2888	3.6	58.9188	3.7	57.1688	3.9	101.6
Netherlands	(Fl)	3.2190	-0.025	173 - 207	3.2527	3.2106	3.2338	3.8	3.2129	3.8	3.1169	3.9	101.2
Norway	(NKr)	11.7765	-0.0734	685 - 844	11.8754	11.7082	11.8174	3.5	11.7584	3.2	11.4874	3.1	97.1
Portugal	(Es)	289.896	-2.215	726 - 067	293.627	289.254	291.955	0.6	291.425	0.6	287.337	1.6	92.3
Spain	(Pta)	241.082	-1.898	947 - 178	243.340	240.430	242.586	1.6	241.836	1.8	237.466	2.2	78.9
Sweden	(SKr)	12.3568	-0.0404	469 - 666	12.4232	12.3321	12.3897	2.7	12.3112	2.8	12.0547	2.8	86.0
Switzerland	(SFr)	2.3510	-0.0096	495 - 524	2.3713	2.3434	2.3498	5.6	2.3273	5.7	2.227	5.7	106.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.9
Ecu	-	1.4575	-0.0087	554 - 595	1.4697	1.4535	1.4629	2.7	1.4557	2.9	1.4217	3.0	-
SDR†	-	1.169753	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5860	-0.0042	855 - 865	1.5915	1.5830	-	-	-	-	-	-	-
Brazil	(R$)	1.7311	-0.0038	303 - 318	1.7368	1.7278	-	-	-	-	-	-	-
Canada	(C$)	2.1960	-0.005	949 - 971	2.2048	2.1925	2.1942	3.7	2.1805	3.7	2.1296	3.2	84.9
Mexico	(New Peso)	12.3303	-0.0383	185 - 421	12.3688	12.3140	-	-	-	-	-	-	-
USA	($)	1.5863	-0.0042	858 - 868	1.5918	1.5833	1.5884	1.6	1.5846	1.5	1.5697	1.3	105.6
Pacific/Middle East/Africa													
Australia	(A$)	2.1783	+0.0011	768 - 797	2.1859	2.1761	2.1738	2.0	2.1652	2.2	2.1282	2.2	92.1
Hong Kong	(HK$)	12.2859	-0.0334	812 - 906	12.3342	12.2630	12.3183	0.1	12.3116	0.2	12.2568	0.5	-
India	(Rs)	58.0031	-0.2411	055 - 007	58.1020	57.8690	58.4394	-4.0	58.84	-4.1	60.5197	-3.9	-
Israel	(Shk)	5.5706	-0.0171	818 - 792	5.5840	5.5707	-	-	-	-	-	-	-
Japan	(Y)	189.000	-0.373	869 - 131	190.040	188.460	188.353	6.5	186.328	6.4	177.343	6.4	129.8
Malaysia	(M$)	4.6392	+0.014	337 - 446	4.6547	4.6292	4.6295	-1.1	4.6375	-1.1	4.6561	-0.7	-
New Zealand	(NZ$)	2.4956	-0.0027	938 - 973	2.5020	2.4921	2.5015	-1.3	2.5053	-1.1	2.5059	-0.3	107.3
Philippines	(Peso)	50.8410	+1.146	870 - 950	51.9322	50.6192	49.855	-3.9	50.1045	-3.3	51.1615	-3.0	-
Saudi Arabia	(SR)	5.9496	-0.0157	475 - 516	5.9677	5.9385	5.9616	0.7	5.9534	0.6	5.9169	0.6	-
Singapore	(S$)	2.3922	+0.0018	906 - 937	2.3996	2.3914	2.386	2.3	2.3759	2.5	2.3277	2.6	-
South Africa	(R)	7.4596	-0.0142	548 - 643	7.4848	7.4494	7.5345	-9.8	7.6524	-9.8	8.0893	-8.2	-
South Korea	(Won)	1441.95	-3.82	832 - 557	1445.58	1439.95	-	-	-	-	-	-	-
Taiwan	(T$)	45.3873	-0.1217	936 - 809	45.4645	45.3030	45.4924	0.4	45.4526	0.5	45.255	0.6	-
Thailand	(Bt)	56.3137	+0.0696	166 - 107	56.3700	53.2990	56.7199	-7.2	57.1815	-5.7	58.2117	-3.2	-

† Rates for Sep 9. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 10		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	12.6770	-0.0672	731 - 809	12.7820	12.6530	12.653	2.3	12.604	2.3	12.38	2.3	101.7
Belgium	(BFr)	37.2070	-0.183	840 - 300	37.5030	37.1250	37.132	2.4	36.9805	2.4	36.267	2.5	101.6
Denmark	(DKr)	6.8607	-0.0321	597 - 617	6.9162	6.8460	6.849	2.0	6.8247	2.1	6.7183	2.1	103.1
Finland	(FM)	5.3902	-0.0275	875 - 929	5.4389	5.3835	5.3787	2.6	5.3551	2.6	5.2612	2.4	80.3
France	(FFr)	6.0584	-0.0298	559 - 608	6.1096	6.0461	6.0469	2.3	6.023	2.3	5.9142	2.4	103.9
Germany	(DM)	1.8015	-0.0096	010 - 020	1.8173	1.7978	1.7977	2.6	1.7899	2.6	1.755	2.6	102.0
Greece	(Dr)	283.480	-0.765	400 - 560	285.980	283.000	284.775	-5.5	286.83	-4.7	293.98	-3.7	64.9
Ireland	(I£)	1.4944	+0.0008	933 - 955	1.4972	1.4878	1.4936	0.8	1.4927	0.5	1.4931	0.1	-
Italy	(L)	1758.86	-8.64	831 - 840	1771.90	1753.84	1760.62	-1.2	1763.63	-1.1	1767.06	-0.5	75.8
Luxembourg	(LFr)	37.2070	-0.183	840 - 300	37.5030	37.1250	37.132	2.4	36.9805	2.4	36.287	2.5	101.6
Netherlands	(Fl)	2.0293	-0.0103	288 - 297	2.0469	2.0253	2.0251	2.5	2.0168	2.5	1.9788	2.5	100.9
Norway	(NKr)	7.4239	-0.0265	212 - 265	7.4785	7.3855	7.4094	2.3	7.381	2.3	7.2693	2.1	98.3
Portugal	(Es)	182.750	-0.81	700 - 800	184.950	182.450	182.714	0.2	182.66	0.2	181.49	0.7	82.6
Spain	(Pta)	151.965	-0.755	940 - 990	153.140	151.640	151.92	0.4	151.745	0.6	150.57	0.9	76.3
Sweden	(SKr)	7.7897	-0.0048	859 - 934	7.8342	7.7791	7.7806	1.4	7.7613	1.5	7.6873	1.3	85.9
Switzerland	(SFr)	1.4821	-0.0022	816 - 825	1.4925	1.4785	1.4768	4.3	1.4661	4.3	1.4206	4.1	106.0
UK	(£)	1.5863	-0.0042	858 - 868	1.5918	1.5833	1.5842	1.8	1.5804	1.5	1.5655	1.3	100.3
Ecu	-	1.0884	+0.0036	872 - 896	1.0910	1.0815	1.0898	-1.6	1.0931	-1.7	1.1086	-1.9	-
SDR†	-	0.78713	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0913	+0.0005	811 - 914	1.0915	1.0910	-	-	-	-	-	-	-
Canada	(C$)	1.3844	+0.0005	841 - 846	1.3850	1.3820	1.3813	2.7	1.3756	2.6	1.355	2.1	84.8
Mexico	(New Peso)	7.7730	-0.0035	680 - 780	7.7800	7.7650	7.8815	-18.8	8.0925	-16.4	9.003	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.5
Pacific/Middle East/Africa													
Australia	(A$)	1.3732	+0.0044	727 - 736	1.3744	1.3725	1.3726	0.5	1.3708	0.7	1.3624	0.8	98.9
Hong Kong	(HK$)	7.7450	-0.0005	445 - 455	7.7457	7.7443	7.7455	-0.1	7.7464	-0.1	7.7487	0.0	-
India	(Rs)	36.5650	-0.055	150 - 150	36.6200	36.4350	36.7025	-4.5	36.9875	-4.6	38.2	-4.5	-
Israel	(Shk)	3.5117	-0.0015	073 - 160	3.5195	3.5070	-	-	-	-	-	-	-
Japan	(Y)	119.145	+0.08	100 - 190	119.630	118.650	118.63	5.2	117.63	5.1	113.33	4.8	131.5
Malaysia	(M$)	2.9245	+0.0165	220 - 270	2.9310	2.9130	2.929	-1.8	2.938	-1.8	2.968	-1.5	-
New Zealand	(NZ$)	1.5732	+0.0025	726 - 738	1.5740	1.5718	1.574	-0.6	1.5764	-0.8	1.5865	-0.8	-
Philippines	(Peso)	32.0500	+0.805	000 - 000	32.8000	31.8000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 507	3.7508	3.7503	3.7513	-0.2	3.7523	-0.2	3.7589	-0.2	-
Singapore	(S$)	1.5080	+0.005	075 - 085	1.5125	1.5040	1.5063	1.4	1.5025	1.5	1.483	1.7	-
South Africa	(R)	4.7025	+0.0035	010 - 040	4.7130	4.7003	4.743	-10.3	4.8225	-10.2	5.125	-9.0	-
South Korea	(Won)	909.000	-	000 - 000	911.500	906.910	-	-	-	-	-	-	-
Taiwan	(T$)	28.6120	-0.001	620 - 620	28.6720	28.5510	28.623	-0.5	28.632	-0.3	28.7245	-0.4	-
Thailand	(Bt)	35.5000	+0.05	500 - 500	35.7800	33.4400	35.845	-15.0	36.65	-13.0	37.88	-6.7	-

† SDR rate per $ for Sep 9. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 9: Base average 1990=100. The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

September 10	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅛	3 5/16	3⅜	3⅝	3 15/16	6.00	2.50	-
France	3 7/32	3⅛	3 11/32	3 13/32	3⅝	3.10	-	4.75
Germany	3 1/32	3 3/32	3¼	3 11/32	3⅝	4.50	2.50	3.00
Ireland	6⅛	6⅜	6⅝	6⅞	6¼	-	-	6.75
Italy	6 11/16	6 25/32	6¾	6 21/32	6 11/32	7.75	6.25	6.79
Netherlands	3⅛	3⅛	3 7/32	3 11/32	3 15/32	-	2.50	3.00
Switzerland	1⅛	1¼	1 13/32	1⅝	1 27/32	-	1.00	-
US	5⅝	5 21/32	5 21/32	5¾	6	-	5.00	-
Japan	⅜	½	½	17/32	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 21/32	5 25/32	5 27/32	6 1/16	-	-	-
US Dollar CDs	-	5.44	5.48	5.57	5.77	-	-	-
ECU Linked Ds	-	4⅛	4¼	4 11/32	4 15/32	-	-	-
SDR Linked Ds	-	3⅛	3⅜	3¾	3 15/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 10	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3⅜	3 15/32 - 3 11/32	3 17/32 - 3 13/32	3⅝ - 3½	3 31/32 - 3 27/32	3⅞ - 3¾
Danish Krone	3¾ - 3⅝	3 29/32 - 3 7/16	3 15/32 - 3 7/16	3 11/16 - 3 9/16	3 13/16 - 3 11/16	4 3/32 - 3 31/32
German Mark	3 3/32 - 3 1/32	3 1/16 - 2 15/16	3 1/16 - 2 15/16	3 5/16 - 3 3/16	3 15/32 - 3 11/32	3 21/32 - 3 17/32
Dutch Guilder	3¼ - 3	3¼ - 3⅛	3⅜ - 3¼	3½ - 3⅜	3 9/16 - 3 7/16	3¾ - 3½
French Franc	3 7/32 - 3⅛	3 3/16 - 3 3/16	3 3/16 - 5 1/16	3⅜ - 3¼	3 15/32 - 3⅜	3 11/16 - 3 5/16
Portuguese Esc.	5¾ - 5 7/32	5 13/32 - 5 7/16	5 7/16 - 5 13/32	6 1/32 - 5⅞	5 9/16 - 5 5/32	5¾ - 5 7/32
Spanish Peseta	5¼ - 5 3/32	5¼ - 5 5/32	5¼ - 5⅛	5 5/16 - 5¼	5 5/32 - 5 3/32	5⅛ - 5
Sterling	7⅛ - 6⅞	7 1/16 - 6 15/16	7¼ - 7⅛	7 9/32 - 7 5/32	7 13/32 - 7⅛	7⅝ - 7½
Swiss Franc	1½ - 1	1⅜ - 1⅛	1 13/32 - 1 7/32	1½ - 1 13/32	1 23/32 - 1 9/16	1⅞ - 1 23/32
Canadian Dollar	3 5/16 - 3⅛	3⅜ - 3¼	3 7/16 - 3 5/16	3⅝ - 3½	3 27/32 - 3 23/32	4 5/16 - 4 3/16
US Dollar	5 21/32 - 5 17/32	5 17/32 - 5 17/32	5⅝ - 5 7/16	5 21/32 - 5 19/32	5 13/16 - 5¾	6 1/32 - 5 29/32
Italian Lira	7 7/16 - 6 7/16	6 27/32 - 6¾	6 23/32 - 6 27/32	6⅞ - 6 13/16	6 31/32 - 6 19/32	8 13/32 - 6 5/16
Japanese Yen	½ - 13/32	½ - 13/32	9/16 - 15/32	9/16 - 15/32	9/16 - 15/32	9/16 - 15/32
Asian $Sing	2¾ - 2⅝	3⅞ - 3¾	4 - 3⅞	4⅛ - 4	4 3/16 - 4 1/16	4 3/16 - 4 1/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.60	96.59	-	96.60	96.59	6,848	43,311
Dec	96.48	96.49	+0.02	96.50	96.48	16,049	42,406
Mar	96.33	96.34	+0.02	96.35	96.34	10,518	29,365

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.72	96.72	-	96.72	96.71	19389	191048
Dec	96.51	96.51	-	96.53	96.51	29108	284871
Mar	96.35	96.36	+0.02	96.36	96.34	32768	279428
Jun	96.13	96.16	+0.03	96.17	96.13	29952	219170

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		96.81	-0.01			0	398
Oct		96.73	-0.01			0	265
Nov		96.68	-0.01			0	60
Dec	96.49	96.49	-0.01	96.49	96.48	40	700

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.18	93.18	+0	93.19	93.18	8903	72918
Dec	93.53	93.51	-0.02	93.55	93.47	23554	105826
Mar	94.00	93.97	-0.03	94.02	93.95	14296	66880
Jun	94.40	94.37	-0.03	94.42	94.35	10651	57378

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.50	98.53	+0.05	98.54	98.50	4518	48232
Dec	98.18	98.21	+0.03	98.23	98.18	9511	67738
Mar	97.99	98.01	+0.04	98.03	97.98	4757	33406
Jun	97.78	97.78	+0.04	97.81	97.77	854	14540

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		99.42	+0			0	n/a
Dec		99.40	+0			0	n/a
Mar		99.35	+0			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.66	95.66	+0.01	95.66	95.65	283	9529
Dec	95.58	95.59	+0.01	95.59	95.58	377	9923
Mar	95.50	95.52	+0.01	95.52	95.50	95	6371
Jun	95.48	95.47	+0.03	95.48	95.44	57	3521

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9300	0.18	0.55	1.02	0.01	0.04	0.05
9325	0.02	0.34	0.79	0.09	0.08	0.07
9350	0.01	0.17	0.58	0.33	0.16	0.11

Est. vol. total, Calls 5237 Puts 751. Previous day's open int., Calls 163249 Puts 74221

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 10		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.28	4.842	1.799	4727	6.454	19.95	491.2	408.4	20.94	3.983	1.694	3.721	2.688	320.2	2.469
Denmark	(DKr)	54.23	10	8.831	2.626	0.975	2564	2.958	10.82	266.4	221.5	11.35	2.160	0.919	2.018	1.458	173.7	1.339
France	(FFr)	61.41	11.32	10	2.974	1.105	2903	3.350	12.25	301.6	250.8	12.86	2.446	1.041	2.285	1.651	196.7	1.517
Germany	(DM)	20.65	3.808	3.363	1	0.371	976.3	1.126	4.121	101.4	84.35	4.324	0.823	0.350	0.768	0.555	66.14	0.510
Ireland	(I£)	55.60	10.25	9.054	2.692	1	2628	3.033	11.09	273.1	227.1	11.64	2.215	0.942	2.068	1.494	178.1	1.373
Italy	(L)	2.115	0.390	0.344	0.102	0.038	100	0.115	0.422	10.39	8.640	0.443	0.084	0.036	0.079	0.057	6.774	0.052
Netherlands	(Fl)	16.33	3.381	2.985	0.888	0.330	866.7	1	3.658	90.06	74.89	3.839	0.730	0.311	0.682	0.493	58.71	0.453
Norway	(NKr)	50.12	8.241	8.161	2.427	0.901	2369	2.733	10	246.2	204.7	10.48	1.996	0.848	1.865	1.347	160.5	1.238
Portugal	(Es)	20.36	3.754	3.315	0.986	0.366	962.4	1.110	4.062	100	83.15	4.262	0.811	0.345	0.758	0.547	65.20	0.503
Spain	(Pta)	24.48	4.315	3.987	1.185	0.440	1157	1.335	4.885	120.3	100	5.126	0.975	0.415	0.911	0.658	78.40	0.605
Sweden	(SKr)	47.78	8.807	7.777	2.313	0.859	2258	2.605	9.530	234.6	195.1	10	1.903	0.809	1.777	1.284	153.0	1.178
Switzerland	(SFr)	25.10	4.629	4.088	1.218	0.452	1187	1.369	5.009	123.3	102.5	5.256	1	0.425	0.934	0.675	80.39	0.620
UK	(£)	59.02	10.88	9.610	2.858	1.062	2790	3.219	11.78	289.9	241.1	12.36	2.351	1	2.196	1.586	189.0	1.457
Canada	(C$)	26.88	4.956	4.376	1.301	0.483	1270	1.466	5.363	132.0	109.8	5.627	1.071	0.455	1	0.722	86.06	0.664
USA	($)	37.21	6.861	6.058	1.802	0.669	1759	2.029	7.424	182.8	152.0	7.790	1.482	0.630	1.384	1	119.1	0.918
Japan	(Y)	31.23	5.758	5.085	1.512	0.562	1476	1.703	6.231	153.4	127.5	6.538	1.244	0.529	1.162	0.839	100	0.771
Ecu	-	40.50	7.467	6.594	1.961	0.728	1814	2.209	8.080	198.9	165.4	8.478	1.613	0.686	1.507	1.088	129.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5515	0.5559	+0.0046	0.5564	0.5507	25,421	84,499
Dec	0.5549	0.5591	+0.0045	0.5598	0.5538	25,928	37,018
Mar	0.5608	0.5627	+0.0048	0.5627	0.5608	70	1,718

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8409	0.8399	-0.0007	0.8435	0.8372	29,886	68,573
Dec	0.8520	0.8509	-0.0006	0.8548	0.8475	42,308	56,459
Mar	0.8625	0.8625	-0.0005	0.8625	0.8615	7	700

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6723	0.6750	+0.0029	0.6769	0.6703	12,254	30,547
Dec	0.6795	0.6823	+0.0032	0.6842	0.6775	16,550	27,736
Mar	0.6869	0.6905	+0.0044	0.6905	0.6889	74	1,132

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5900	1.5850	-0.0046	1.5940	1.5830	10,027	37,523
Dec	1.5824	1.5782	-0.0054	1.5864	1.5766	11,236	24,643
Mar	-	1.5760	-0.0022	-	1.5720	4	212

UK INTEREST RATES

LONDON MONEY RATES

Sep 10	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/16 - 6	7 1/16 - 6 15/16	7⅛ - 7	7 5/32 - 7 1/32	7 13/32 - 7 5/32	7 9/16 - 7 7/16
Sterling CDs	-	-	7⅛ - 7 1/16	7 3/16 - 7⅛	7 9/32 - 7 7/32	7 7/16 - 7⅜
Treasury Bills	-	-	6 31/32 - 6 29/32	7 - 6⅞	-	-
Bank Bills	-	-	6 31/32 - 6 29/32	6 31/32 - 6 27/32	7 3/16 - 7 1/16	-
Local authority deps.	7 - 6⅞	7 - 6⅞	7 3/32 - 7 1/32	7¼ - 7⅛	7 11/32 - 7 7/32	7 7/16 - 7 5/16
Discount Market deps	7 - 6⅞	6⅞ - 6¾	-	-	-	-

UK clearing bank base lending rate 7 per cent from Aug 7, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Sep 5, 6.8806pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 29, 1997. Agreed rate for period Sep 24, 1997 to Oct 25, 1997, Scheme III 8.50pc. Reference rate for period Aug 1, 1997 to Aug 29, 1997, Schemes IV & V 7.229pc. Finance House Base Rate 7½pc from Sep 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.74	92.72	-0.01	92.74	92.71	7106	100411
Dec	92.65	92.63	-0.01	92.65	92.62	8601	129469
Mar	92.64	92.62	-0.01	92.64	92.61	8489	107679
Jun	92.66	92.64	-0.01	92.66	92.63	4844	72901
Sep	92.73	92.70	-0.02	92.73	92.68	3328	59687

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9250	0.22	0.16	0.24	0	0.06	0.12
9275	0.01	0.05	0.10	0.04	0.17	0.23
9300	0	0.01	0.03	0.28	0.38	0.41

Est. vol. total, Calls 1350 Puts 1150. Previous day's open int., Calls 214313 Puts 222158

EMS EUROPEAN CURRENCY UNIT RATES

Sep 10	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.730697	+0.003177	-8.52	11.96	57
Finland	5.85424	5.89353	-0.00777	0.67	1.78	-4
Italy	1906.48	1920.71	+1.79	0.75	1.69	-5
Portugal	197.398	199.674	-0.142	1.15	1.28	-8
Spain	163.826	165.982	-0.193	1.32	1.12	-9
Denmark	7.34555	7.49199	-0.00829	1.99	0.45	-14
Netherlands	2.16979	2.21648	-0.00244	2.15	0.29	-18
Germany	1.92573	1.96774	-0.00229	2.18	0.29	-22
Austria	13.5485	13.8471	-0.0165	2.20	0.24	-18
Belgium	39.7191	40.6291	-0.0486	2.29	0.15	-17
France	6.45863	6.61673	-0.00854	2.45	0.00	-21
NON ERM MEMBERS						
Greece	295.269	309.686	+0.486	4.88	-2.32	-
UK	0.793103	0.688163	+0.00422	-13.23	18.07	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
1.580	1.06	2.10	2.84	0.29	1.47	2.51
1.585	0.47	1.59	2.40	0.88	1.97	2.85
1.590	0.21	1.18	1.96	1.37	2.51	3.52

Previous day's vol., Calls 771 Puts 802. Prev. day's open int., Calls 37,517 Puts 36,237

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	PUTS Sep	PUTS Oct	PUTS Nov
0.545	0.70	1.16	1.52	0.06	0.41	0.67
0.550	0.35	0.86	1.22	0.18	0.61	0.88
0.555	0.13	0.61	0.98	0.47	0.87	1.11

Previous day's vol., Calls 1,406 Puts 112. Prev. day's open int., Calls 23,553 Puts 22,091

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.27	94.27	-	94.28	94.27	21,245	430,320
Dec	94.09	94.07	-0.01	94.09	94.07	41,130	542,478
Mar	94.00	93.98	+0.02	94.00	93.97	62,605	368,610

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	95.02	95.02	+0.01	95.04	95.02	1,698	2,983
Dec	94.85	94.85	+0.01	94.86	94.85	218	3,844
Mar	94.80	94.00	-0.01	94.80	94.81	114	1,398

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Sep	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Sep	PUTS Oct	PUTS Nov	PUTS Dec
9625	0.47	0.27	0.28	0.29	0	0.01	0.02	0.03
9650	0.22	0.06	0.08	0.10	0	0.05	0.07	0.09
9675	0.01	0.01	0.02	0.01	0.04	0.25	0.26	0.25
9700	0	0	0	0	0.28	0.49	0.49	0.49
9725	0	0	0	0	0.53	0.74	0.74	0.74

Est. vol. total, Calls 15945 Puts 22940. Previous day's open int., Calls 394589 Puts 294990

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9875	0	0.02	0.03	0.22	0.56	0.77
9900	0	0	0.01	0.47	0.79	1.00

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4425 Puts 3263

BASE LENDING RATES

	%		%		%
Adam & Company	7.00	Duncan Lawrie	7.00	Scottish Widows Bank	7.00
Allied Irish Bank (GB)	7.00	Exeter Bank Limited	8.00	●Singer & Friedlander	7.00
●Henry Ansbacher	7.00	Financial & Gen Bank	8.00	●Smith & Williamson Secs	7.00
Bank of Baroda	7.00	●Robert Fleming & Co	7.00	Sun Banking Corp Ltd	7.00
Banco Bilbao Vizcaya	7.00	●Guinness Mahon	7.00	TSB	7.00
Bank of Cyprus	7.00	Habib Bank AG Zurich	7.00	United Bank of Kuwait	7.00
Bank of Ireland	7.00	●Hambros Bank	7.00	Unity Trust Bank Plc	7.00
Bank of India	7.00	Heritable & Gen Inv Bk	7.00	Whiteaway Laidlaw	7.00
Bank of Scotland	7.00	C. Hoare & Co	7.00	Yorkshire Bank	7.00
Barclays Bank	7.00	Hongkong & Shanghai	7.00		
Brit Bk of Mid East	7.00	Investec Bank (UK) Ltd	7.00		
●Brown Shipley & Co Ltd	7.00	Julian Hodge Bank	7.00		
Citibank NA	7.00	●Leopold Joseph & Sons	7.00		
Clydesdale Bank	7.00	Lloyds Bank	7.00		
The Co-operative Bank	7.00	Midland Bank	7.00		
Coutts & Co	7.00	NatWestminster	7.00		
Cyprus Popular Bank	7.00	●Rea Brothers	7.00		
		Royal Bk of Scotland	7.00		

● Members of London Investment Banking Association
* In administration

HEMISPHERES FUNDING CORPORATION
Guaranteed Asset Backed Floating Rate Notes, Series 1996-A
U.S.$402,000,000

	Interest Accrual Rate	Coupon Amount (USD)
Series 1996-A Notes	6.028750%	U.S.$6,126,314.79

This Interest Accrual Rate and Coupon Amount should be used when determining the interest payable on Wednesday, December 10th, 1997.

Bankers Trust Company as Trustee

September 11th, 1997

COMMODITIES AND AGRICULTURE

CBOT expects El Niño to bolster activity

By Nikki Tait in Chicago

The Chicago Board of Trade, the world's leading futures exchange, said yesterday it was expecting a significant increase in market activity in the coming months because of the El Niño weather pattern.

The exchange, which is home to leading grain and agricultural markets, said it was looking for "possibly a significant impact on crop yields and commodity prices".

The CBOT said the effects of El Niño – a periodic warming of the tropical Pacific Ocean by a few degrees that reverberates globally – were "likely to peak late this year".

Even then, it noted that most meteorologists do not expect weather conditions to return to normal until the middle to late 1998.

"In reaction to this potential climate uncertainty, the CBOT is anticipating heightened use of the commodity futures market," an exchange official said.

The current El Niño pattern was first noticed about six months ago. But already meteorologists have been impressed by its force. John Dee, president of Chicago-based Global Weather Monitoring, said the pattern had "got off to a faster start than in previous years" and already looked to be among the top five El Niños, in terms of the strength of impact, since records began.

He also noted that anomalous warming had occurred closer to the coast of South America – off Ecuador and Peru – than in some previous patterns. This might have some bearing on its follow-on effects, although meteorologists concede that the workings of El Niño are still not well understood. Mr Dee suggested the pattern would probably peak in the first three months of 1998.

The CBOT declined to estimate the likely scale of the impact on trading volumes. However, some traders at the exchange say they have already noticed abnormally large hedging on relevant contracts.

In the past, El Niños have tended to have the most impact on grains contracts but they have also affected coffee and cocoa.

"There's no set pattern," said Steve Bruce, a broker at ED & F Man in Chicago. "Australia tends to be dry and hot, and South Africa hotter and drier, while the US usually has a pretty decent wheat crop. But in tight world grain stocks, there's not a lot of margin for error."

Confusion reigns over effects of weather on Ivory Coast cocoa crop

There was confusion yesterday over the size of Ivory Coast's 1997-98 cocoa crop and the effects that the El Niño weather pattern could have on it, Gary Mead writes.

At the London meeting of the International Cocoa Organisation the secretariat challenged a pessimistic crop forecast from Ivory Coast's commodities minister. On Monday Guy-Alain Gauze predicted that the crop would fall by 10 per cent, to about 900,000 tonnes.

The ICCO secretariat said that of the 11 El Niño years recorded since 1949, 10 had seen below average Ivory Coast crops – down by an aggregate 13.3 per cent – and only one above average. But it also pointed out that it had so far failed to discover "statistically relevant linkages" between El Niño years and lower than average Ivory Coast cocoa harvests. "Many of you will have seen maps showing areas which are warmer, wetter or drier than normal in El Niño years," it said. "No influence on West Africa is normally shown on such maps."

This cautious view echoes a growing body of scientific evidence suggesting there is at most a weak correlation between El Niño events and poor Ivory Coast cocoa crops.

However, meteorologists from the US, the UK, Japan and elsewhere are still forecasting that the currently developing El Niño will perhaps be the biggest this century. The last big El Niño in 1982-83 caused about $13bn of flood and drought damage.

As the world's biggest producer of cocoa beans, what happens to Ivory Coast's crop has considerable impact on futures markets and consumer prices. Cocoa futures hit a 9½-year high on Liffe last Friday but have since retreated, partly because of a growing belief that Ivory Coast's current harvest will largely be unaffected.

Bulgarian buy for Union Minière

By Kerin Hope in Athens and Theodor Troev in London

Union Minière, the Belgian non-ferrous metals group, yesterday signed an $80m deal to acquire a leading Bulgarian copper processor under the government's fast-track privatisation programme.

The group took a 56 per cent stake in MDK-SPJSCo Pirdop, which produces copper and sulphuric acid from locally-mined and imported ores. Payment will be made in full later this month to help the government reduce its budget deficit.

MDK showed a profit last year in spite of Bulgaria's deep economic crisis. However, its activities over the years have caused severe environmental damage in the Pirdop region east of Sofia.

The World Bank is to provide a $25m loan to pay for a four-year clean-up at MDK, which will include compensation payments to workers with pollution-related illnesses. A privatisation agency official said the project was designed to cut emissions from the Pirdop smelter and ore refinery by 50 per cent, and bring the plant in line with EU environmental standards.

Union Minière agreed to invest $220m over five years to increase smelting capacity at Pirdop and to build a new copper ore refinery to replace the existing unit. The modernisation is designed to boost copper output from 50,000 tonnes to over 400,000 tonnes.

Another 30 per cent of MDK's equity has been offered to small investors under Bulgaria's voucher system for mass privatisation. The remaining 14 per cent will be offered to employees at preferential prices.

Oil shrugs off bullish US data

MARKETS REPORT

By Nikki Tait in Chicago and Gary Mead and Maggie Urry in London

US oil futures yesterday shrugged off bullish data on inventories, published after markets closed on Tuesday. The American Petroleum Institute reported that crude oil stocks fell by 7.915m barrels during the week to September 5, significantly more than expected. But the implications were tempered by the publication of more conservative figures by the US Department of Energy, suggesting a 6.1m barrel decline.

Oil futures rose in overnight trading and the October crude oil contract on the New York Mercantile Exchange reached $19.57 at one stage yesterday morning. By midday, it was trading 7 cents higher at $19.49. Heating oil contracts lost a little ground, with the December contract shedding 4.9 points to 54.80 cents.

In London, the API report boosted oil futures on the International Petroleum Exchange. October Brent was up 10 cents to $18.38 a barrel in late trading.

Wheat for bread-making could be in short supply following a poor quality UK harvest, the National Association of British & Irish Millers warned yesterday.

Imports, which amounted to around 700,000 tonnes in the last season, could top 1m tonnes this year, said John Murray, director-general of Nabim. Prices for bread-making wheat now stand at around £25 per tonne more than for feed wheat, he said.

Blame for the lower crop quality was put on the variability of weather this year, with a drought in the spring followed by floods in June, hot weather in early August and recent rain in the north. Mr Murray said some wheat had been so badly affected that it would not even be usable for feed wheat and would be ploughed in.

KWV agrees to surrender its powers

By Mark Ashurst in Johannesburg

The farmers co-operative that has dominated the South African wine industry for almost 30 years has agreed to surrender is statutory powers.

The move will enable the Ko-operative Wijnbouwers Vereniging to convert into a private company. It could also have far-reaching implications for other agricultural sectors that built up substantial assets under self-regulatory regimes sanctioned by the former nationalist government.

KWV has reached agreement with Derek Hanekom, minister of agriculture, to convert to a private company on condition it sets up a non-profit making trust to manage the industry.

Mr Hanekom had taken legal action, which was due to resume yesterday, to suspend KWV's conversion to a private company and claim assets worth R800m ($170m). He said they had been acquired using "regulatory powers which insulated KWV against ordinary commercial risk" and were "of a public nature".

The trust, together with new legislation, will eventually dilute the statutory powers of KWV, which regulate the wholesale pricing of its members crops.

KWV controls the production, pricing and wholesale distribution of most Cape wines – and is known as "the mafia" by many international wine buyers. While the leading South African vintages have enjoyed a growing international reputation and sales, most South African vineyards have a mediocre record. More than 80 per cent of the country's wine production consists of indifferent blends manufactured by KWV.

KWV said it would continue to manage the industry for five years, after which its services would be contracted out by the new trust on a tender basis.

The trust will be managed by a board of directors, to be appointed by the minister, representing different stakeholders in the industry. It will provide research, advisory services, training and export promotion, as well as finding funds to improve the welfare of farm labourers and encourage new entrants to the industry.

Bartus van Heerden, senior manager at the agricultural division of Standard Bank in Johannesburg, said the KWV decision would set an example for other marketing boards which have enjoyed statutory powers.

These include the Maize board and Unifruco, the sole marketing agent of the Deciduous Fruit Board, which have embarked on a deregulation process.

UPPA

Under the new deal, funds will be provided to improve the welfare of farm labourers

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1609-10	1627-8
Previous	1593-94	1613-14
High/low		1633/1615
AM Official	1601.5-02.0	1619.5-20.0
Kerb close		1627-7.5
Open int.	258,383	
Total daily turnover	71,154	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1418-23	1445-8
Previous	1415-20	1443-45
High/low		1448/1440
AM Official	1415-20	1440-50
Kerb close		1445-50
Open int.	5,125	
Total daily turnover	882	

■ LEAD ($ per tonne)

Close	636-7	646-7
Previous	645-46	655-55.5
High/low		653/647
AM Official	637.5-38.0	647-47.5
Kerb close		650-1
Open int.	34,259	
Total daily turnover	8,240	

■ NICKEL ($ per tonne)

Close	6570-80	6675-80
Previous	6530-40	6635-40
High/low		6680/6530
AM Official	6540-45	6635-40
Kerb close		6640-50
Open int.	51,706	
Total daily turnover	13,726	

■ TIN ($ per tonne)

Close	5430-35	5475-80
Previous	5470-80	5510-15
High/low		5495/5460
AM Official	5430-35	5480-85
Kerb close		5475-80
Open int.	15,149	
Total daily turnover	5,258	

■ ZINC, special high grade ($ per tonne)

Close	1635-40	1454-55
Previous	1658-60	1478-79
High/low		1482/1443
AM Official	1648-50	1470-71
Kerb close		1450-1
Open int.	86,669	
Total daily turnover	26,520	

■ COPPER, grade A ($ per tonne)

Close	2128.5-30.5	2147-8
Previous	2125-27	2140-42
High/low	2128.5	2155/2140
AM Official	2128-28.5	2145.5-46.5
Kerb close		2149-50
Open int.	137,934	
Total daily turnover	53,003	

■ LME AM Official £/$ rate: 1.5855
LME Closing £/$ rate: 1.5860

Spot: 1.5890 3 mths: 1.5832 6 mths: 1.5775 9 mths: 1.5727

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	96.40	+0.30	97.00	96.00	972	3,591
Oct	96.85	+0.30	97.40	96.60	211	2,780
Nov	97.40	+0.25	97.80	97.80	73	1,590
Dec	97.40	+0.25	98.00	96.65	4,697	24,999
Jan	97.40	+0.25	-	-	7	821
Feb	97.05	-0.10	-	-	8	767
Total					6,617	45,582

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	321.10-321.50		
Opening	321.40-321.70		
Morning fix	321.00	202.370	478.451
Afternoon fix	320.80	202.257	474.944
Day's High	321.70-322.00		
Day's Low	320.60-320.90		
Previous close	321.60-322.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.28 6 months 3.23
2 months ....3.29 12 months 3.24
3 months 3.29

Silver Fix	p/troy oz.	US cts equiv.
Spot	298.65	473.50
3 months	302.40	477.65
6 months	306.35	482.30
1 year	314.95	492.80

Gold Coins	$ price	£ equiv.
Krugerrand	321-329	202-204
Maple Leaf	-	-
New Sovereign	75-77	47-49

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	321.7	-3.8	-	-	-	-
Oct	322.6	+0.4	323.2	322.1	1,010	16,156
Dec	324.1	-	324.5	323.7	16,214	111,8k
Feb	325.7	+1.1	326.5	325.9	58	15,487
Apr	327.4	+1.2	-	-	79	5,397
Jun	329.3	+1.4	330.0	329.8	218	8,231
Total					11,288	202,432

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	426.2	+3.5	426.5	422.0	2,522	10,267
Jan	416.2	+2.5	416.4	411.0	280	3,458
Apr	411.2	+2.5	412.0	410.0	40	429
Jul	407.2	+2.5	-	-	-	-
Total					2,842	14,157

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Sep	195.30	+0.60	194.50	193.00	83	418
Dec	189.30	+0.60	189.50	186.60	267	3,108
Mar	185.30	+0.60	184.50	184.50	100	319
Jun	185.80	+0.60	-	-	-	107
Total					350	3,950

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Sep	469.2	-1.2	470.5	468.0	456	857
Dec	474.8	-1.2	477.0	472.5	12,408	53,751
Jan	476.3	-1.2	-	-	-	20
Mar	481.6	-1.2	482.0	479.5	41	11,755
May	485.6	-1.2	-	-	7	3,206
Jul	489.7	-1.2	-	-	10	2,380
Total					12,911	77,878

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	19.47	+0.05	19.63	19.35	32,288	88,072
Nov	19.60	+0.02	19.71	19.52	17,444	58,196
Dec	19.72	+0.05	19.80	19.63	6,168	53,068
Jan	19.75	+0.03	19.85	19.66	1,655	32,133
Feb	19.76	+0.02	19.83	19.71	785	16,180
Mar	19.77	+0.01	19.77	19.75	432	10,006
Total					60,575	405,674

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	18.40	+0.12	18.48	18.29	14,405	52,968
Nov	18.49	+0.10	18.56	18.39	10,536	52,341
Dec	18.61	+0.09	18.61	18.49	2,484	20,247
Jan	18.67	+0.08	18.67	18.53	904	17,538
Feb	18.68	+0.07	18.68	18.60	158	6,874
Mar	18.55	-	18.60	18.50	103	3,893
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	52.10	-0.73	52.87	51.90	15,121	43,561
Nov	53.55	-0.64	54.20	53.35	6,479	28,271
Dec	54.75	-0.54	55.40	54.50	1,791	23,194
Jan	55.65	-0.39	56.25	55.50	852	21,635
Feb	56.05	-0.34	56.50	56.00	534	11,810
Mar	55.75	-0.19	56.05	55.65	492	7,897
Total					28,948	149,348

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	161.25	-2.50	163.25	161.25	9,597	8,959
Oct	162.75	-2.50	164.75	162.75	12,066	25,183
Nov	165.00	-2.00	166.50	165.00	2,031	13,630
Dec	167.00	-1.75	166.80	166.75	2,169	16,140
Jan	168.50	-1.75	170.25	168.50	2,046	11,355
Feb	169.50	-1.00	170.50	169.50	322	6,602
Total					30,800	94,524

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Oct	11.100	-0.050	-	-	-	1,185
Nov	13.240	+0.040	-	-	-	745
Total					n/a	8,295

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	2.715	+0.016	2.730	2.670	23,985	56,395
Nov	2.860	+0.018	2.870	2.815	8,644	28,363
Dec	2.943	+0.015	2.955	2.910	3,923	22,639
Jan	2.933	+0.012	2.950	2.900	2,986	22,799
Feb	2.670	+0.010	2.675	2.650	916	15,583
Mar	2.405	+0.005	2.410	2.390	688	10,491
Total					44,444	225,729

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	58.55	-0.77	59.45	58.20	14,880	40,581
Nov	56.80	-0.41	57.20	56.40	5,391	19,960
Dec	56.05	-0.36	56.30	56.05	1,297	14,882
Jan	56.20	-0.16	56.30	56.00	812	12,932
Feb	56.55	-0.16	56.55	56.55	485	3,879
Mar	57.50	-	-	57.50	178	5,027
Total					23,322	103,184

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	87.00	-0.35	87.00	87.00	30	159
Nov	87.70	-0.65	88.50	87.50	397	3,812
Jan	89.60	-0.75	90.50	89.75	129	2,892
Mar	91.60	-0.75	92.10	91.50	80	2,282
May	93.60	-0.75	94.20	93.75	90	1,232
Jul	95.60	-0.75	-	-	-	128
Total					n/a	n/a

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Sep	366.50	-1.50	369.50	365.50	2,038	1,638
Dec	380.25	-2.50	384.50	379.50	10,760	66,545
Mar	393.50	-2.00	396.00	392.00	1,453	22,813
May	395.50	-1.75	398.50	395.00	248	3,875
Jul	387.75	-0.75	389.50	387.00	560	6,878
Dec	403.50	-2.50	406.50	405.00	341	1,219
Total					16,233	104,343

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Sep	269.75	+2.00	270.00	267.50	2,187	9,883
Dec	267.75	+3.00	268.00	264.50	24,508	187,954
Mar	276.00	+2.75	276.25	273.00	3,886	52,047
May	281.00	+2.75	281.25	278.25	629	13,121
Jul	284.25	+2.75	284.25	281.25	1,323	21,471
Sep	272.75	+0.75	274.00	272.75	72	1,606
Total					37,175	298,800

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Sep	80.15	+0.15	80.00	80.00	100	19
Nov	82.40	-	82.50	82.25	135	1,102
Jan	84.40	-	-	84.00	25	640
Mar	86.30	-	-	-	-	282
May	87.85	-	-	-	-	23
Total					n/a	n/a

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Sep	703.50	-3.50	713.50	705.00	1,162	5,020
Nov	638.00	-6.25	647.00	637.25	30,184	50,953
Jan	641.00	-5.25	648.00	639.00	4,381	20,720
Mar	646.75	-5.00	653.50	645.50	1,189	9,513
May	653.00	-6.50	658.50	652.00	670	6,763
Jul	658.50	-6.50	665.50	657.50	1,797	7,982
Total					42,383	143,854

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Sep	22.59	+0.25	22.63	22.45	1,391	2,306
Oct	22.70	+0.24	22.78	22.64	5,406	20,588
Dec	23.06	+0.18	23.16	22.92	7,091	40,873
Jan	23.28	+0.14	23.30	23.15	1,650	11,969
Mar	23.55	+0.18	23.60	23.41	358	7,707
May	23.69	+0.19	23.35	23.32	139	3,227
Total					16,082	88,082

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Sep	270.0	-2.2	272.3	268.0	3,152	6,554
Oct	230.1	-2.6	232.5	229.0	8,703	24,318
Dec	213.6	-3.5	218.0	212.8	9,876	44,873
Jan	209.4	-3.4	212.0	208.5	2,240	10,931
Mar	203.9	-3.1	208.5	202.6	1,162	10,276
May	201.2	-3.5	204.1	200.0	877	8,514
Total					24,083	109,795

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Nov	62.0	-	-	-	-	7
Mar	98.5	-1.5	-	-	-	-
Apr	118.5	-1.5	124.0	117.0	89	1,178
May	130.5	-1.5	-	-	-	2
Jun	144.5	-1.5	-	-	-	-
Total					n/a	n/a

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Sep	1308	+5	1315	1301	26	541
Oct	1435	-1	1471	1445	118	1,590
Nov	1465	+15	1495	1495	-	46
Jan	1465	+15	1480	1480	20	487
Total					n/a	n/a

	Close	Prev
BFI	-	1309

PULP AND PAPER

■ PULPEX OMLX ($/t; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	557.00	+2.00	557.00	555.00	39	202
Dec	578.00	+1.00	579.00	578.00	34	156
Total					73	358

FUTURES DATA
All futures data supplied by CMS.

Minor metals from Metal Bulletin
$ per lb in warehouse, unless otherwise stated. Antimony: 99.65%, $ per tonne, 1,860-1,950. Bismuth: min. 99.99%, tonne lots 3.35-3.60. Cadmium: min. 99.95%, cents a pound, 40.00-50.00 (5.00-55.00). Cobalt: min. 99.8%, 24.20-25.00 (22.30-23.20); min. 99.3%, 20.00-20.85 (19.50-20.00). Mercury: min. 99.99%, $ per 76 lb flask, 143-155 (145-155). Molybdenum: drummed molybdic oxide, 4.35-4.45. Selenium: min 99.5%, 2.00-3.00 (1.90-2.90). Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 40-45. Vanadium: min. 98%, CIF, 4.05-4.15 (4.05-4.10). Uranium: 9.20.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1107	-4	1113	1100	21	414
Dec	1140	-1	1147	1127	1,702	52,896
Mar	1160	-1	1165	1148	1,571	46,619
May	1177	-1	1182	1164	55	23,335
Jul	1190	-1	1185	1185	426	8,825
Sep	1203	-1	1196	1184	41	11,920
Total					n/a	n/a

■ COCOA CSCE (10 tonnes; $/tonnes)

Sep	1650	+3	1654	1650	4	113
Dec	1671	+6	1687	1660	4,708	44,827
Mar	1700	+5	1715	1681	430	27,027
May	1719	+5	1718	1714	27	12,639
Jul	1737	+5	1745	1732	49	2,911
Sep	1754	+5	1749	1749	23	4,863
Total					5,242	107,984

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Sep 9		
Daily	1303.27	1291.97

■ COFFEE LIFFE (5 tonnes; $/tonne)

Sep	1595	+23	1607	1589	217	1,569
Nov	1610	+18	1633	1584	1,643	18,931
Jan	1610	+18	1620	1583	536	8,902
Mar	1598	+18	1604	1572	223	2,621
May	1593	+18	1603	1595	83	373
Jul	1588	+18	1625	1625	-	97
Total					n/a	n/a

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Sep	193.00	-2.25	201.00	198.00	71	443
Dec	182.95	-0.55	185.75	181.25	4,562	14,056
Mar	165.50	-0.85	167.50	164.00	855	4,718
May	159.00	-1.05	160.00	158.00	95	1,644
Jul	152.75	-1.30	153.00	153.00	41	1,319
Sep	148.50	-1.55	-	-	4	388
Total					5,441	22,723

■ COFFEE (ICO) (US cents/pound)

Sep 9		Prev. day
Comp. daily	137.25	140.28
15 day average	133.45	132.81

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Oct	320.4	-3.5	320.0	317.2	546	7,713
Dec	321.8	-1.8	321.8	320.5	184	7,395
Mar	325.4	-0.3	324.6	324.2	89	11,550
May	324.8	-	324.9	324.4	100	2,599
Aug	323.3	-	-	-	-	1,308
Oct	319.3	-0.3	319.5	319.0	60	2,535
Total					n/a	n/a

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Oct	11.40	-0.10	11.54	11.36	10,856	77,873
Mar	11.50	-0.08	12.03	11.83	3,508	76,890
May	11.90	-0.05	11.87	11.83	555	18,703
Jul	11.72	-0.01	11.76	11.66	548	14,252
Oct	11.67	-0.08	11.73	11.65	833	11,389
Mar	11.64	-0.06	-	-	25	1,974
Total					16,323	203,083

■ COTTON NYCE (50,000lbs; cents/lbs)

Oct	72.83	+0.04	73.15	72.75	328	8,771
Dec	72.90	-	73.20	72.62	4,255	48,540
Mar	74.20	-0.06	74.45	74.10	378	13,764
May	74.85	-0.03	75.05	74.85	211	6,064
Jul	75.40	-0.05	75.65	75.40	219	6,082
Oct	75.53	-	75.75	75.75	40	814
Total					5,944	89,027

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Sep	70.30	+0.70	70.50	69.40	317	329
Nov	86.85	+0.80	69.80	68.85	771	18,417
Jan	72.40	+0.65	72.70	71.85	344	8,443
Mar	75.40	+0.70	75.60	74.70	158	3,514
May	78.25	+0.55	78.25	77.80	71	1,278
Jul	80.75	+0.65	80.50	80.00	20	565
Total					1,693	34,986

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Sep 10	Sep 9	month ago	year ago
1934.9	1937.7	1903.6	1966.1

■ CRB Futures (Base: 1967 = 100)

Sep 8	Sep 8	month ago	year ago
242.31	242.06	-	-

■ GSCI Spot (Base: 1970 = 100)

Sep 8	Sep 8	month ago	year ago
194.25	194.25	194.20	202.73

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-650	to	710,225
Aluminium alloy	-220	to	52,700
Copper	+1,725	to	287,425
Lead	-300	to	121,425
Nickel	-228	to	58,334
Zinc	+1,700	to	375,750
Tin	+10	to	12,070

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	68.475	+0.650	68.500	68.725	11,198	36,790
Dec	68.900	+0.250	68.950	68.500	5,295	27,348
Feb	72.575	+0.125	72.800	72.175	2,284	15,366
Apr	74.950	+0.150	75.000	74.625	704	7,334
Jun	71.550	+0.175	71.575	71.200	747	5,844
Aug	71.050	+0.050	71.250	70.975	64	1,409
Total					20,262	94,103

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Oct	69.675	+0.300	69.775	69.100	6,518	18,404
Dec	66.175	+0.225	66.300	65.850	4,088	8,703
Feb	64.750	-0.075	64.900	64.500	591	3,746
Apr	61.650	+0.100	61.875	61.500	227	1,660
Jun	66.525	-0.100	66.800	66.400	89	945
Jul	64.875	+0.025	64.900	64.875	17	684
Total					11,542	32,677

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	65.650	+0.325	66.150	64.800	2,255	4,294
Mar	65.450	-	66.000	64.850	77	452
May	65.375	-	-	-	2	85
Jul	66.400	-0.100	-	65.500	4	27
Aug	66.750	-0.250	-	-	2	12
Total					2,336	4,862

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Oct	Jan	Oct	Jan
1600	41	84	20	52
1650	18	60	47	78
1700	7	41	85	107
■ COPPER (Grade A) LME	Oct	Jan	Oct	Jan
2100	71	120	28	76
2150	43	95	48	98
2200	24	74	78	126
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
n/a				
n/a				
n/a				
■ COCOA LIFFE	Dec	Mar	Dec	Mar
n/a				
n/a				
n/a				
■ BRENT CRUDE IPE	Oct	Nov	Oct	Nov
1800	-	-	18	37
1850	10	52	24	60
1900	5	29	68	-

LONDON SPOT MARKETS

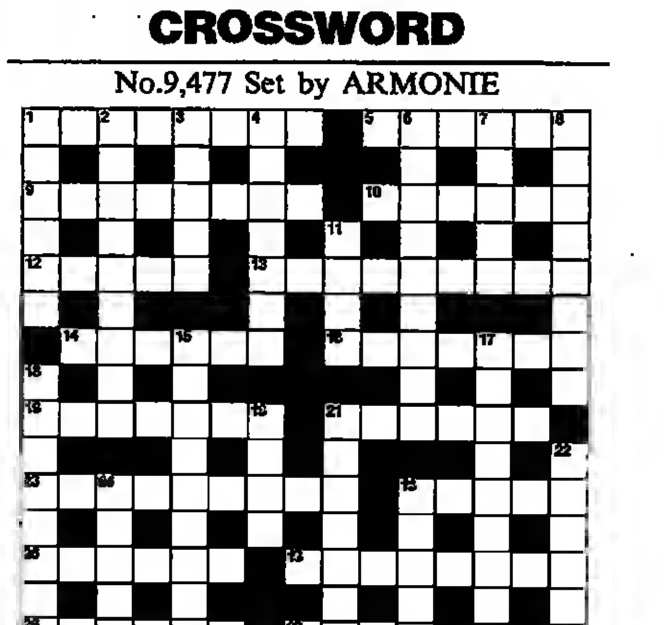
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$17.83-7.91w	+0.185
Brent Blend (dated)	$18.22-8.24	+0.04
Brent Blend (Oct)	$18.41-8.43	+0.04
W.T.I.	$19.48.9.50w	-0.01
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$221-223	
Gas Oil	$162-164	-2
Heavy Fuel Oil	$91-93	+1
Naphtha	$188-189	+2.5
Jet fuel	$161-162	-0.5
Diesel	$167-169	-2
■ NATURAL GAS (Pence/therm)		
Bacton (Oct)	11.1-11.2	+0.1
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHER		
Gold (per troy oz)♣	$321.30	-0.55
Silver (per troy oz)♣	475.00c	-1.00
Platinum (per troy oz.)	$422.50	+3.50
Palladium (per troy oz.)	$187.00	+0.50
Copper	101.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.50r	-0.04
Tin (New York)	257.0	+0.5
Cattle (live weight)	99.10p	-0.10*
Sheep (live weight)	114.04p	+1.97*
Pigs (live weight)‡	82.28p	+3.54*
Lon. day sugar (raw)	$279.40	
Lon. day sugar (wte)	$324.80	-3.70
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	58.50p	
Rubber (Nov)♥	58.50p	
Rubber (KL RSS No1)	260.5z	-2.0
Coconut Oil (Phil)§	552.5	
Palm Oil (Malay.)§	505.00	-5
Copra (Phil)§	$398.5y	
Soyabeans (US)	226.0	
Cotton Outlook'A' Index	79.55c	-0.15
Wooltops (64s Super)	428p	

† per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Aug/Sep. z Aug. w Oct. ¶London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. ‡Based on 1,430 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,477 Set by ARMONIE



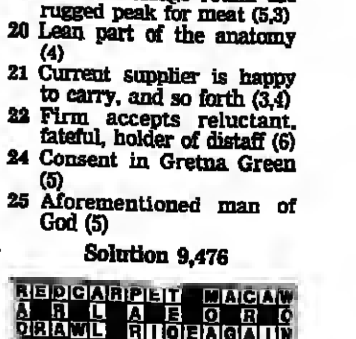
ACROSS

1 Huge depletion in fuel (8)
5 Scholars to beat on a festive day (6)
9 Factions claiming local gains (8)
10 Arrive with gold carriage (6)
12 Heavens! Following scripture is dangerous! (5)
13 Alan Shearer, forgetting an order in practice (9)
14 Wild and free in the capital (8)
16 Sharp point found hidden in reed-beds (7)
19 Record-breaking runner is a fraud, they say (7)
21 A church member interrupts sardonic slogan (3,3)
23 Humiliation in a lowly dwelling (9)
25 Greek character getting a large or small bottle (5)
26 Robust and hearty eccentric (6)
27 Despatched to find coin in mud (8)
28 Fancied maiden in trade union (6)
29 Hitchcock's company is without the director outdoors (8)

DOWN

1 Commander's to pull up one who avoids danger (6)
2 Desperate Dan places a picture (9)
3 Disgusting diet's an unknown quantity (5)
4 Maddened by exploding grenade (7)
6 Stone used for sculpting in the style of British flower (9)
7 Fabled king, buried in pyramid, assumed immortality (5)
8 Spill the beans about select sport (8)
11 Youngster eats hot fish (4)
15 Butter contains extra bit of homogeniser in Yorkshire (9)
17 Punctuality allows bearing the script on Sunday (9)
18 Pass a message round the rugged peak for meat (5,3)
20 Lean part of the anatomy (4)
21 Current supplier is happy to carry, and so forth (3,4)
22 Firm accepts reluctant, fateful, holder of distaff (6)
24 Consent in Gretna Green (5)
25 Aforementioned man of God (5)

Solution 9,476



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FT MANAGED FUNDS SERVICE

Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd (u)

[illegible]

Lazard Investment Funds Ltd - Contd.

Morgan Grenfell Investment Funds Ltd (u)

[illegible]

Asian Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Gateway Fund Plc

Asian Growth Fund Plc

Asset Korea Fund

Asset Universal Ltd

Atlantis Korean Smaller Companies Fund

[illegible]

Hanmi Korea Venture Fund

Hanseamann International Fund Plc (u)

Investec Asset Management (Ireland) Ltd

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Yamaichi Samsung Dynamic Korea Fund

Yuki Korea Fund

Yuki Taiwan Fund

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1606)F

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

TSB Fund Managers - Contd.

JERSEY (REGULATED)(**)

ABSA Offshore Select Fund Limited

Bank of Scotland Fund Managers (Jersey) Ltd

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline H

American Phoenix Investment Portfolios (u)

13 rue Goethe, L-1637 Luxembourg 00 352 40464621 1

	Init Chge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
European Multinational Pfolo			Ecu24.53		-0.32	-
European Multinational Pfolo			$28.02		-0.33	-
European Multinational Pfolo			£16.79		-0.13	-
European Multinational Pfolo			L40923		-804	-
European Multinational Pfolo			DM48.17		-0.65	-
Global Multinational Pfolo			Ecu23.05		-0.32	-
Global Multinational Pfolo			$25.02		+0.17	-
Global Multinational Pfolo			£15.78		-0.05	-
Global Multinational Pfolo			L44092		-702	-
Global Multinational Pfolo			DM45.22		-0.44	-
US Growth Companies			$19.07		+0.01	-
US Growth Companies			£11.40		+0.02	-
US Growth Companies			L31851		-1[illegible]	-
US Growth Companies			DM32.67		-0.14	-
US Real Estate Securities			$15.94		+0.09	-
US Real Estate Securities			£10.03		+0.07	-
US Real Estate Securities			L28084		+32	-
US Real Estate Securities			DM28.81		+0.01	-

BAII Asset Management Ltd

10 Piccadilly, London W1V 0EE 0171 734 3700

	Selling Price	Buying Price	+ or -	Yield
Intermarket NAV Aug 29 F	$668.65		+5.48	-
Interportfolio Fund				
Convertible (US$) Aug 31	$272.58		—	-
Convertible (FFr) Aug 31 F	FFr1387.57		—	-

Bank Von Ernst & Cie AG

Marktgasse 63/65, 3001 Berne, Switzerland 0041 313261111

	Selling Price	Buying Price	+ or -	Yield
UK Equity	£17.72		-0.11	-
UK Smaller Co's Eqty	£27.60			-
Nth American Equity	$37.50		+0.01	-
US Smaller Co's Eqty	$25.80		+0.18	-
Pacific Basin Equity	$15.40		-0.04	-
Japanese Equity	Y545		—	-
European Equity	DM19.42		-0.00	-
Swiss Equity	SFr15.97		-0.13	-
Sterling Fixed Int	£15.90		—	-
Sterling Fixed Int Dis	£10.60		—	-
European Fixed Int	DM13.67		+0.02	-
European Fixed Int Dis	DM9.38		+0.02	-
DM Bond Cap	DM11.18		+0.01	-
DM Short Term Cap	DM10.23		—	-
Global Equity	$15.11		+0.02	-
Global Bond	$23.49		+0.01	-
Global Bond Dis	$9.65		—	-
Global Managed	DM22.60		+0.14	-
Swiss Franc Short Term Dis	SFr9.00		00	-

Foreign & Colonial Portfolios Fd Sicav(z)

33 Boulevard Prince Henri, L-1724 Lux 00 352 2268 211

	Selling Price	Buying Price	+ or -	Yield
Am Smlr Cos Eq F	$45.14		00	-
Japanese Smlr Cos Eq F	Y849		00	-
European Smlr Cos Eq F	Ecu17.52		00	-
Emerging Asian Eq F	$21.71		00	-
Sterling Beta F	£9.97		00	-
Sterling Distribution F 5	£9.52		00	-

Frontrunner I (u)

67 rue de Neudorf, Luxembourg 00 352 43887350

	Selling Price	Buying Price	+ or -	Yield
European Equities	Ecu172.39		—	-
Global Bonds	Dkr178.04		—	-
Global Bonds	DM159.72		—	-
Sterling Fund	£194.43		—	-
Danish Bonds	Dkr170.93		—	-
Swedish Bonds 5	Skr129.88		—	-
German Bonds	DM100.30		—	-
Dollar Bonds 8	$101.31		—	-
Scandinavian Equities	Ecu284.75		—	-
Far East Equities	$83.51		—	-
North American Equities 5	$110.67		—	-
Danish Kroner Reserve	Dkr111.35		—	-
Swedish Kroner Reserve	Skr111.17		—	-
German Mark Reserve	DM100.47		—	-
US Dollar Reserve 3	$101.54		—	-
ECU Reserve	Ecu111.51		—	-
Norwegian Kroner Reserve	Nkr100.29		—	-
Bonds 2/1998 3	DM122.20		—	-
Bonds 2/1998 3	DM103.31		—	-
Bonds 2/1999	DM102.27		—	-
Danish Mortgage Bonds	Dkr101.67		—	-
Danish Long Bonds 8	Dkr102.93		—	-

GT Global

(44) 171 710 4567 London (852) 2842 7200 Hong Kong

	Selling Price	Buying Price	+ or -	Yield
GT Europe A	$90.30	01.93	-0.15	0.13
GT Europe A	£50.67	53.33	-0.10	0.13
GT Europe B	$90.67		-0.18	0.18
GT Europe B	£50.84		+0.10	0.18
GT Investment A	$37.78	39.77	+0.01	1.17
GT Investment A	£23.34	25.00	+0.01	1.17
GT Investment B	$37.90		+0.01	1.19
GT Investment B	£23.91		+0.01	1.19
GT US Small Cos A	$42.51	44.75	-0.03	0.08
GT US Small Cos A	£26.62	28.24	-0.02	0.09
GT US Small Cos B	$42.67		-0.03	-
GT US Small Cos B	£26.92		-0.02	0.08

HSBC Investment Funds Luxembourg SA (u)

OFFSHORE INSURANCES

LUXEMBOURG (REGULATED)(**)

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Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	♣N	483½	-4½	492	407½	4,815	5.9	13.9
Bulmer (HP)	♣	385xd	-7½	626	385	208.8	4.6	11.0
Burn St Dist	♣	46	—	100½	40½	27.3	9.2	11.5
Glenmorangie A		976	—	1040	755	132.9	1.7	24.1
B		1050		1140	970	49.2	0.8	53.4
Grand Met	♣♣N	577xd	-2½	631	425½	12,165	3.3	18.5
Guinness	♣♣	550	-1	627	424	10,693	3.6	15.8
Highland	♣	302½	-5	330	300½	400.5	3.5	14.2
5½pc Cnv Bds		88½	-½	101½	85½	43.5	6.3	—
Kirin Y		579¼	+11½	712¼	485¼	6,097	1.1	—
Matthew Clark	♣	227½xd	-3	378	222	190.9	13.5	6.0
Merrydown	♣	60½xd	—	123½	52½	6.59	6.4	14.9
Seagram C$		22½	+½	22½	16½	6,042	1.4	—

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's
Toronto-Dom C$		19½	+⅛	20¾	12⅜	6,013	2.6
Trans Can Pipe C$	♥	12¼	-⅛	12⅜	10⅛	2,984	4.3
Western Star Trucks C$		18⅛	-⅛	27⅛	14⅛	281.8	-

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£27⅛	-	*£27⅛	£20¼	2,891	2.7	ϕ
Barlow	♣†	£7⅛	-⅛	£8⅛	£5⅛	1,588	1.8	16.0
Gold Flds Prop R	†	142	-⅛	167	122	14.5	6.1	10.9
SA Brews		£18⅛	-⅛	£20⅛	£13¾	5,380	2.1	ϕ
Standard Bank		£28⅛	+⅛	£30	£21	3,382	1.8	ϕ
Tiger Oats	†	870	-	1100	790	1,466	1.9	18.5
Tongaat-Hulett		778½	+2	789½	579½	753.6	2.5	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ϕ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other offical estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
r Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1998
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as 4

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other offical estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

Equities-to-gilts switch talk depresses shares

MARKET REPORT

By Steve Thompson
UK Stock Market Editor

There was more evidence yesterday of the London market's reluctance to make any decisive move past the 5,000 level on the FTSE 100 index, with an early attempt to drive the index higher foundering in midsessioo.

And with dealers and marketmakers talking of clear evidence of some switching out of equities and into gilts, a move highlighted in a receot Merrill Lynch survey, Footsie carried on down to close at session lows.

A further depressant for London, as well as other European markets, was some strong economic news from Germany, plus a poor opening performance by Wall Street, all of which brought renewed uncertainty to markets.

Footsie finisbed at the day's lowest point, down 45.3 at 4,905.3, and was described by ooe marketmaker as "looking more than just weary, it looked absolutely worked out". The FTSE 100 index has now fallen 89 points, or 1.8 per cent, over the past three sessions.

There was also more talk around the market about the fortbcoming shift from "quote-driven" to "order-driven" trading in FTSE 100 stocks as from October 20, a move which has led to a general reluctance by the big marketmaking firms to take on a big line of stock, which they may be unable to unscramble as the shift in trading gets closer.

Others also put forward the theory that the approaching 10th anniversary of the October 19 "great crash" of 1987 will put off potential buyers of equities.

Dealers tended to dismiss the 10th anniversary story as "nothing more than fantasy". One senior trader said: "There were fundamental arguments for the 1987 decline. That is not really the case this time round." But he conceded that a correction in global markets might not be too far away "if US interest rates are nudged higher".

Second-line stocks were easier, but nothing like as weak as the front-line issues, with the FTSE 250 settling 12.3 down at 4,664.7. Smaller stocks, in sharp contrast to the leaders, managed to make limited progress. The SmallCap index edged up 1.6 to 2,281.2.

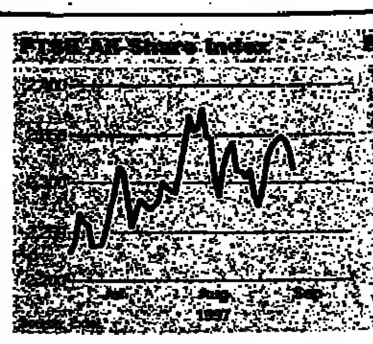
The market kicked off on a quietly firm note, bolstered by Wall Street's modest Tuesday gain, but after pushing up 14 points in the first hour of trading, quickly faltered and ran back for the rest of the session.

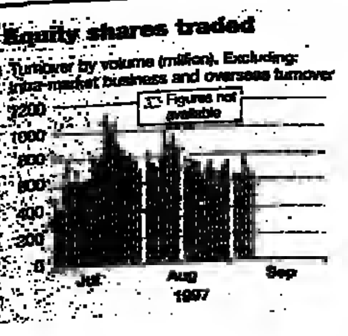
There were pockets of selling pressure in the market all day, niggling away at share prices and causing constant concern to marketmakers.

Sentiment took a dip in the early afternoon when the Dow Jones Industrial Average opened under pressure and gradually gave way to post e 60-point fall not long after London closed.

Quarterly changes to the FTSE 100 index saw five winners and five losers, with Norwich Union, Billiton, Woolwich, Sun Life, and Williams included at the expense of Tate & Lyle, Hanson, Imperial Tobacco, Mercury Asset Management and Burmah Castrol.

Turnover in equities at 6 pm was 704.2m shares, of which 61 per cent was in non-Footsie stocks.





Indices and ratios

FTSE 100	4905.2	-45.3
FTSE 250	4664.7	-12.3
FTSE 350	2368.1	-18.8
FTSE All-Share	2316.01	-17.10
FTSE All-Share yield	3.38	3.37
FT 30	3143.0	-23.5
FTSE Non-Fins p/a	19.75	19.92
FTSE 100 Fut Sep	4893.0	-59.0
10 yr Gilt yield	7.03	7.03
Long gilt/equity yld ratio	2.09	2.09

Best performing sectors

1. Extractive Inds .... +1.1
2. Retailers: Food .... +0.5
3. Paper: Pckg & Print .... +0.3
4. Media .... +0.2
5. Household Goods .... +0.2

Worst performing sectors

1. Pharmaceuticals .... -2.5
2. Telecommunications .... -1.8
3. Health Care .... -1.7
4. Consumer Goods .... -1.6
5. Gas Distribution .... -1.4

NatWest sharply higher

By Joel Kibazo and Martin Brice

National Westminster was a feature as rumours that its investment banking arm, NatWest Markets, will soon be sold did the rounds again. Dealers pointed to German group Commerzbank which is raising DM1.5bn in a 1-for-14 rights issue as the most likely purchaser. The shares rose 11½ to 824p.

The word is that NatWest gave an upbeat presentation to some of the UK's leading fund managers last Friday at UBS and it is said a sell-off of NatWest Markets would receive the backing of many of the leading institutions.

Among retail banks, Halifax fell to its lowest closing level since its June flotation. The shares gave up 10 to 701p, with 4m having been traded by the close. The shares hit a record 778p on their stock market debut.

Shares in JKX Oil & Gas rose sharply in lete morning trading after National Petroleum and stete-owned UkrGazprom of the Ukraine took a stake of more than 11 per cent in tbe company. Broker T Hoare & Co bought more than 12.3m ordinary JKX shares at 52p on behalf of UkrGazprom and National Petroleum.

The stake was taken to thwart the £54m bid from Ramcn Energy that was announced in July and only cleared by the UK government yesterday morning.

The broker said the two Ukrainian oil coocerns plan to buy more JKX shares to increase their stake further.

JKX shares ended the day 7 ahead at 52p, and as the most beavily traded individual stock in the FTSE All-Share with turnover of 26m. Those in Ramco put on 5 to £11.62½.

Analysts doubt the Ukrainian move will succeed as Ramco is thought to have already ecquired enough stock to claim victory.

Utd News strong

Media services group United News & Media moved swiftly to the top of the Footsie best performers yesterday after reporting interim figures that exceeded analysts' best expectations. The shares jumped 27½ to 746p.

First-half profits rose 15 per cent to £174m leaving one specialist to comment: "This is wey beyond anything we had expected. Every one will have to upgrade their full year numbers." The Express newspaper's increased circulation was another bull point for the shares, analysts said.

Indeed many analysts had already raised their figures by the end of the session. The media team et Panmure Gordon upgraded their full-year estimate by £10m to a normalised figure of £345m. United News & Media is one of Panmure's core buys in the sector and tbe broker yesterday reiterated its positive stance on the stock.

Sentiment in United News & Media was said to have boosted Mirror Group, the shares hardening 2 to 208½p. Favourable news on Channel 5 television from United News & Media, which has a 29 per cent stake in the broadcaster, helped boost 25 per cent stake holder Pearson. Shares in the latter, which owns the Financial Times, improved 11 to 757p.

The weakness of the pound – the Bank of England's trade-weighted index fell to its lowest level since June 12 – helped put a spring in the step of overseas earners, with Wnlseley up 6½ to 469½p.

BTR, which has only 17 per cent of sales in the UK, advanced 3 to 219p while Siebe rose 15½ to £11.85, Smiths Industries gained 7½ to 865p and IMI pushed up 5½ to 385p.

Sentiment in engineering stocks was helped by a set of strong results from Meggitt, which showed a 14 per cent interim pre-tax profit rise to £13.6m, along with an 11 per cent dividend rise and a bullish trading statement.

Analysts were said to be adding about £1m to full-year forecasts of about £28m, and the shares appreciated 11½ to 139½p.

Investors with exposure to engineering stocks were largely on the sidelines ahead of British Aerospace results today.

BAe initially made progress but later dipped to close fractionelly easier at £15.55½, although volume was small.

NetWest Securities, which has an "add" stance on the stock, has told clients: "There is unlikely to be any further news relating to European defence consolidation, the ultimate driver of the share price."

Bruce MacDonald at the broker added: "These results wlll demonstrate the strength of BAe's position, strength that will ultimately be responsible for releasing value for shareholders."

LucasVarity was notable for US buying that pushed up the American depositary receipt in New York on Tuesday and spilled over to lift the shares 3½ to 213½p, the fourth biggest rise in the FTSE 100.

The company is due to release interim results on Friday, and one trader said: "No one is prepared to go short of the stock ahead of the figures."

Rolls-Royce was off 4 at 225½p, as the stock displayed a weakness said to stem from overseas selling that may be linked to the 29 per cent limit on foreign ownership of the stock.

UK analysts generally take a positive view of the stock but traders said that the introduction of order-driven trading next month was dissuading marketmakers from taking large positions.

BBA falls

BBA ran into some profit-taking after the rise sparked by its strong results on Tuesday, and the stock surrendered 4 to 412½p. Analysts generally take a positive view of the stock, and yesterday Peter Reilly et UBS issued e "buy" note that said the shares, which stand at a price/earnings relative of about 93, deserve "at least a market rating on current prospects".

Charter continued to rise after strong results on Tuesday, with traders suggesting the shift from the conglomerate sector to the engineering sector had left the stock undervalned relative to its new peers. The stock advanced 16½ to 820p.

In the rest of the oils, Cairn Energy followed the market lower closing 12 off at 528p.

Turnover in Shell was 10m as the shares eased 1½ to 437½p. BP also followed the market lower, the shares losing 12½ to 889p.

TI Group benefited from a "buy" note from Panmure Gordon and rose 2½ to 610½p. Arabella Grant at the broker has told clients "there is room for further upside even in the light of its run over the last six months". She said the stock is worth 660p.

Telspec, the small telecommunications eqnipmant maker, edvanced 17½ to 252½p after good interim results.

FT 30 INDEX

	Sep 10	Sep 9	Sep 8	Sep 5	Sep 4	Yr ago	*High	*Low
FT 30	3143.0	3166.5	3182.5	3184.5	3182.3	2816.0	3222.3	2668.6
Ord. div. yield	3.59	3.56	3.54	3.54	3.54	4.04	4.22	3.39
P/E ratio net	20.49	20.65	20.76	20.76	20.75	17.07	20.78	15.80
P/E ratio nil	20.21	20.37	20.49	20.47	20.47	16.91	20.49	15.71

FT 30 since compilation: high 3228.5 12/08/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3168.7	3177.2	3175.9	3168.4	3160.1	3160.3	3155.5	3155.7	3143.4	3179.5	3142.8

	Sep 10	Sep 9	Sep 8	Sep 5	Sep 4	Yr ago
SEAQ bargains	38,273	39,399	39,818	41,483	41,013	35,030
Equity turnover (£m)†	-	2098.7	2071.6	2198.4	2277.3	1571.0
Equity bargains†	-	37,583	37,583	38,198	39,751	38,253
Shares traded (ml)†	-	538.6	653.8	655.1	691.6	651.2

†Excluding intra-market and overseas turnover but including Crest turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	658	Total Highs	73	Total contracts	25,001
Total Falls	687	Total Lows	48	Calls	11,415
Same	1,727			Puts	13,586

Sep 10 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4954.0	4902.0	-50.0	4970.0	4880.0	13271	57470
Dec	5016.0	4962.5	-50.5	5030.5	4945.0	6360	20904
Mar		5005.0	-50.0			0	1810

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4680.0	4680.0		4680.0	4680.0	858	3292
Dec	4748.0	4748.0	+1.0	4748.0	4748.0	858	5839

■ FTSE 100 INDEX OPTION (LIFFE) (*4907) £10 per full index point

	4750 C	4750 P	4800 C	4800 P	4850 C	4850 P	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P
Sep	[illegible]															
Oct	[illegible]															
Nov	[illegible]															
Dec	[illegible]															
Jun†	[illegible]															

Calls 2,666 Puts 1,554

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P
Sep	169½	12½	147½	20½	169½	32½	77	50	50½	73	[illegible]					
Oct	259	91	216½	74½	183	98	153	109½	128½	[illegible]						
Nov	314½	97½	280½	113	247½	129	216½	147½	188	[illegible]						
Dec	368	125	324½	140½	282½	157½	262	176	234	[illegible]						
Mar†	447½	178½			386	213			329½	[illegible]						

Calls 3,328 Puts 5,406 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	-	415	397½	Antofagasta Uts	397½		-	-	-	-
-	F.P.	98.2	110	101	Bristol & W Prf	109¾		-	-	-	-
§100	F.P.	29.0	145	109½	Cammell Laird	136½		L3.8	2.1	3.5	13.2
	F.P.	-	116	114	EMI 6	115		Z2.75	-	3.1	-
§	F.P.	6.91	65	52½	†GR Holdings	52½		-	-	-	41.6
§150	F.P.	320.8	288	162½	Galen Hldgs	284½	+16	L0.9	5.7	0.4	42.6
§125	F.P.	5.43	135	90½	†Halcon Publag	92½		-	-	-	-
§134	F.P.	6.47	136½	134½	†I S Solutions	135½		-	-	-	45.8
§160	F.P.	17.1	178½	172½	†Kingfisher Lela	178½	+1	LW2.0	6.0	1.4	14.7
100	F.P.	32.5	112½	99½	Reabourne Merlin	108		-	-	-	-
§100	F.P.	7.85	120½	105½	†SBS Group	110½		L2.4	2.0	2.7	19.4
-	F.P.	-	38½	30	Severn Trent 8	37½		-	-	-	-
-	F.P.	-	54½	42½	†Stentor Warrants	46½		-	-	-	-
*	F.P.	13.4	85½	77½	†Style Holdings	85		W1.5	4.4	2.2	11.4
	F.P.	-	22¾	19½	Thorn 8	20½		-	-	-	-
-	F.P.	76.9	68½	60	Vigion Tech	63		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Sep 8	% chg on day	Sep 8	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1375.73	+0.3	1371.88	1982.30	1.98	-	1991.33	1270.14
■ Regional Indices								
Africa (14)	1360.46	-1.3	1378.05	2648.82	5.63	22.56	2649.61	1324.06
Australasia (6)	1549.52	-0.2	1552.51	2263.86	0.50	18.12	2263.88	1336.10
North America (11)	1371.25	+0.9	1359.28	1798.18	1.02	89.64	1839.77	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Sep 10	Day's chge%	Sep 9	Sep 8	Sep 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4905.2	-0.9	4950.5	4986.2	4994.2	3905.6	3.36	2.08	18.33	116.44	2105.49
FTSE 250	4664.7	-0.3	4677.0	4686.1	4681.0	4418.3	3.55	1.62	21.66	106.16	1957.12
FTSE 250 ex IT	4675.5	-0.3	4688.4	4698.6	4695.8	4456.3	3.68	1.66	20.46	109.41	1967.55
FTSE 350	2368.1	-0.8	2386.9	2401.3	2404.3	1953.5	3.39	1.95	18.89	55.76	2075.70
FTSE 350 ex IT	2368.8	-0.8	2388.1	2402.8	2406.1	-	3.42	1.96	18.65	23.72	1064.89
FTSE 350 Higher Yield	2292.3	-0.6	2305.4	2319.2	2324.7	1859.6	4.54	1.77	15.53	67.52	1705.99
FTSE 350 Lower Yield	2448.1	-1.0	2472.1	2487.1	2488.0	2054.4	2.45	2.22	22.99	43.95	1753.06
FTSE SmallCap	2261.17	+0.1	2279.55	2278.26	2270.10	2177.28	3.17	1.85	21.24	47.12	1945.62
FTSE SmallCap ex IT	2257.51	+0.2	2253.66	2252.72	2245.80	2178.98	3.43	1.95	18.71	50.49	1942.51
FTSE All-Share	2316.01	-0.7	2333.11	2346.18	2348.39	1930.82	3.38	1.94	18.03	54.10	2060.18
FTSE All-Share ex IT	2316.85	-0.8	2334.40	2347.93	2350.61	-	3.42	1.96	18.65	23.16	1060.11

■ FTSE Actuaries Industry Sectors

	Sep 10	Day's chge%	Sep 9	Sep 8	Sep 5	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4915.96	-0.7	4948.28	4996.85	5025.34	3735.73	3.16	1.93	20.54	98.75	2206.43
12 Extractive Industries(5)	4290.15	+1.1	4244.38	4213.92	4195.32	4106.50	3.70	2.36	14.29	104.80	1311.59
15 Oil, Integrated(3)	5217.59	-0.9	5265.29	5331.81	5373.75	3850.39	3.26	1.85	20.75	107.40	2408.97
16 Oil Exploration & Prod(12)	3795.71	-0.5	3814.61	3817.62	3805.37	2784.67	1.51	2.29	36.11	36.65	2325.93
20 GEN INDUSTRIALS(262)	2061.21	-0.1	2063.58	2067.37	2062.18	2069.42	3.85	1.80	18.08	50.20	1182.67
21 Building & Construction(35)	1385.07	----	1385.25	1390.34	1385.47	1178.17	3.25	2.17	17.74	28.21	1207.57
22 Building Matls & Merchs(30)	1842.83	-0.4	1851.14	1861.04	1869.75	1848.85	4.35	1.77	16.25	43.20	974.73
23 Chemicals(26)	2632.08	-0.2	2636.77	2639.15	2648.69	2462.77	3.88	1.64	16.68	73.10	1317.18
24 Diversified Industrials(15)	1433.33	+0.1	1432.58	1437.74	1435.08	1564.13	5.04	2.02	12.29	46.48	855.48
25 Electronic & Elect Equip(37)	2204.42	-0.7	2218.91	2217.94	2210.39	2368.40	3.71	1.63	20.67	49.49	1199.01
26 Engineering(65)	2800.95	+0.1	2798.11	2797.92	2777.29	2535.84	2.98	2.39	17.54	53.59	1769.39
27 Engineering, Vehicles(13)	3234.12	+0.2	3228.70	3251.65	3222.96	3114.93	3.14	‡	‡	71.41	1750.26
28 Paper, Pckg & Printing(27)	2209.90	+0.3	2204.13	2197.86	2193.45	2695.21	4.76	1.80	14.57	64.93	969.32
29 Textiles & Apparel(14)	1046.96	-0.4	1051.53	1053.12	1046.82	1256.57	6.71	1.08	17.21	42.81	689.75
30 CONSUMER GOODS(84)	4490.24	-1.6	4565.43	4621.68	4635.33	3865.37	3.41	1.84	19.97	114.58	1744.00
32 Alcoholic Beverages(7)	3232.57	-0.7	3253.94	3258.92	3255.44	2612.67	3.90	1.99	16.14	90.96	1234.26
33 Food Producers(25)	3029.93	-0.9	3054.90	3082.37	3103.04	2573.39	3.64	1.88	18.27	70.37	1436.81
34 Household Goods(17)	3158.86	+0.2	3153.11	3151.61	3145.30	2679.83	3.15	2.45	16.20	54.26	1298.88
36 Health Care(14)	2203.98	-1.7	2241.66	2341.24	2341.21	2052.23	2.73	1.76	26.01	37.42	1384.90
37 Pharmaceuticals(16)	7181.95	-2.5	7369.60	7502.08	7524.97	5542.23	2.59	1.72	27.96	153.36	2537.40
38 Tobacco(3)	4356.57	-0.5	4384.85	4383.70	4400.09	3680.60	6.47	1.81	10.70	225.73	1181.08
40 SERVICES(270)	2755.52	-0.1	2758.50	2762.94	2756.03	2580.35	2.88	2.06	21.08	54.35	1491.98
41 Distributors(30)	2822.70	-0.6	2839.64	2841.77	2817.41	2865.58	3.34	1.94	19.30	56.23	1083.48
42 Leisure & Hotels(31)	3176.08	-0.4	3190.25	3215.27	3207.78	3184.76	2.95	1.98	21.46	70.76	1784.07
43 Media(41)	4188.48	+0.2	4180.18	4164.12	4143.80	4373.97	2.18	2.16	26.55	83.31	1584.93
44 Retailers, Food(15)	2430.42	+0.5	2418.00	2407.25	2421.34	1993.20	3.42	2.26	16.21	53.61	1623.31
45 Retailers, General(53)	2244.56	-0.5	2256.45	2278.66	2266.88	2169.47	3.15	2.20	18.00	47.10	1340.96
47 Breweries, Pubs & Rest.(22)	3348.64	-0.8	3370.18	3365.15	3377.63	3107.18	3.39	2.28	16.18	62.87	1674.91
48 Support Services(55)	3203.92	+0.3	3184.95	3192.88	3185.72	2504.98	1.64	2.61	29.17	31.38	2090.46
49 Transport(23)	2897.71	----	2897.18	2893.09	2880.41	2446.44	3.47	1.24	29.14	62.52	1266.38
60 UTILITIES(31)	3088.69	-1.2	3125.95	3151.52	3159.38	2306.96	4.66	1.45	18.54	77.59	1439.30
62 Electricity(9)	3528.03	-0.3	3540.39	3558.49	3549.44	2341.82	5.03	2.01	12.36	116.63	2008.23
64 Gas Distribution(2)	2380.37	-1.4	2414.02	2444.30	2462.80	1333.65	5.12	‡	‡	54.50	1347.78
66 Telecommunications(6)	2333.54	-1.8	2377.11	2397.77	2409.28	1974.06	3.86	1.55	20.38	44.69	1122.80
68 Water(12)	2901.74	-0.4	2913.15	2937.98	2936.74	2215.12	5.72	2.27	8.64	90.96	1737.59
69 NON-FINANCIALS(687)	2339.15	-0.7	2355.49	2369.82	2371.34	2035.47	3.47	1.82	19.75	62.78	1667.36
70 FINANCIALS(103)	4512.17	-0.9	4554.70	4576.96	4589.46	3135.42	3.25	2.43	15.87	121.54	2051.44
71 Banks, Retail(10)	6926.08	-1.3	7016.27	7056.36	7089.39	4480.42	3.02	2.54	16.28	184.45	2389.56
73 Insurance(16)	1821.53	-0.8	1835.71	1843.57	1847.18	1458.42	4.80	2.90	8.98	75.35	1472.49
74 Life Assurance(7)	5117.92	+0.2	5108.86	5119.17	5090.19	3536.52	3.35	2.24	16.69	121.00	2235.48
77 Other Financial(27)	3273.98	-0.7	3295.84	3306.21	3300.36	2649.49	3.28	2.00	19.10	74.43	1958.71
79 Property(43)	1973.90	+0.1	1972.32	1979.24	1980.08	1662.95	3.33	1.33	28.23	37.66	1271.77
80 INVESTMENT TRUSTS(127)	3493.65	-0.2	3499.32	3497.78	3479.84	3164.17	2.17	1.17	49.37	50.23	1258.14
89 FTSE All-Share(897)	2316.01	-0.7	2333.11	2346.18	2348.39	1930.82	3.38	1.94	18.03	54.10	2060.16
105 FTSE All-Share ex IT(770)	2316.85	-0.8	2334.40	2347.93	2350.61	-	3.42	1.96	18.98	23.16	1060.11
FTSE Fledgling	1265.80	—	1265.74	1263.97	1261.60	1245.47	3.24	1.01	38.06	28.00	1376.14
FTSE Fledgling ex IT	1269.21	—	1268.67	1266.71	1265.04	1261.31	3.60	1.02	34.18	28.81	1382.82
FTSE AIM	1021.5	-0.1	1022.1	1022.4	1020.9	-	1.03	0.69	80.00†	4.99	937.44

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4962.3	4955.6	4960.9	4950.1	4935.7	4935.6	4927.5	4920.0	4907.0	4965.4	4905.2
FTSE 250	[illegible]										
FTSE 350	[illegible]										
FTSE SmallCap	2280.59	2280.59	2280.77	2281.29	2281.27	2281.83	2281.74	2281.56	2281.58	2281.66	2280.53
FTSE All-Share	2333.75	2333.12	2334.94	2332.85	2327.49	2327.42	2324.53	2325.01	2316.90	2335.31	2316.01

Time of FTSE 100 Day's High: 8:48 AM Day's low: 4:30 PM. FTSE 100 1997 High: 5056.8 (07/08/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's High: 8:48 AM Day's Low: 4:30 PM. FTSE All-Share 1997 High: 2376.38 (12/08/97) Low: 1989.78 (20/01/97)
Further information is available on http://www.ftse.com.
 "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence.
† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Deletion: TLS (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	[illegible]		
AMVESCAP	[illegible]		
ASDA Group†	[illegible]		
Abbey National†	[illegible]		
Airtours	[illegible]		
Albert Fisher	[illegible]		
Alliance & Leicester†	[illegible]		
Allied Domecq†	[illegible]		
Anglian Water	[illegible]		
Argos	[illegible]		
Arjo Wiggins	[illegible]		
Assoc. Brit. Foods†	[illegible]		
Assoc. Brit. Ports	[illegible]		
BAA†	[illegible]		
BAT Inds†	[illegible]		
BBA	[illegible]		
BICC	[illegible]		
BOC†	[illegible]		
BG†	[illegible]		
BP†	[illegible]		
BPB	[illegible]		
BSkyB†	[illegible]		
BT†	[illegible]		
BTR†	[illegible]		
Bank of Scotland†	[illegible]		
Barclays†	[illegible]		
Bass†	[illegible]		
Blue Circle†	[illegible]		
Booker	[illegible]		
Boots†	[illegible]		
Britannic	[illegible]		
Brit. Aerospace†	[illegible]		
British Airways†	[illegible]		
British Biotech	[illegible]		
British Energy	[illegible]		
British Land†	[illegible]		
British Steel†	[illegible]		
Burmah Castrol†	[illegible]		
Burton	[illegible]		
Cable & Wire.†	[illegible]		
Cadbury Schweppes†	[illegible]		
Caradon	[illegible]		
Carlton Comms.†	[illegible]		
Centrica†	[illegible]		
Coats Viyella	[illegible]		
Comm. Union†	[illegible]		
Compass	[illegible]		
Cookson	[illegible]		
Courtaulds	[illegible]		
Dalgety	[illegible]		
De La Rue	[illegible]		
Dixons†	[illegible]		
EMAP	[illegible]		
EMI†	[illegible]		
Electrocomponents	[illegible]		
Energy Group†	[illegible]		
Enterprise Oil†	[illegible]		
FKI	[illegible]		
Foreign & Col. IT	[illegible]		
Gen. Accident†	[illegible]		
General Elect.†	[illegible]		
Glaxo Wellcome†	[illegible]		
Glynwed	[illegible]		
Granada†	[illegible]		
Grand Met.†	[illegible]		
GUS†	[illegible]		
Greenalls	[illegible]		
GRE†	[illegible]		
GKN†	[illegible]		
Guinness†	[illegible]		
HSBC (75p shs)†	[illegible]		
Halifax†	[illegible]		
Hammerson	[illegible]		
Hanson†	[illegible]		
Harrisons Crosfield	[illegible]		
Hays†	[illegible]		
Hillsdown	[illegible]		
Hyder	[illegible]		
IMI	[illegible]		
ICI†	[illegible]		
Imperial Tobacco†	[illegible]		
Inchcape	[illegible]		
Johnson Matthey	[illegible]		
Kingfisher†	[illegible]		
Ladbroke†	[illegible]		
Land Securities†	[illegible]		
Laporte	[illegible]		
Legal & General†	[illegible]		
Lloyds TSB†	[illegible]		
LASMO†	[illegible]		
Lonrho	[illegible]		
LucasVarity†	[illegible]		
MEPC	[illegible]		
MFI	[illegible]		
Marks & Spencer†	[illegible]		
Mercury Asset Mgt	[illegible]		
Morrison (Wm)	[illegible]		
NFC	[illegible]		
NatWest Bank†	[illegible]		
National Grid†	[illegible]		
National Power†	[illegible]		
Next†	[illegible]		
Northern Foods	[illegible]		
Norwich Union	[illegible]		
Orange†	[illegible]		
Pearson†	[illegible]		
P & O†	[illegible]		
Pilkington	[illegible]		
PowerGen†	[illegible]		
Premier Farnell	[illegible]		
Provident Financial	[illegible]		
Prudential†	[illegible]		
REXAM	[illegible]		
RMC†	[illegible]		
Racal	[illegible]		
Railtrack†	[illegible]		
Rank Group†	[illegible]		
Reckitt & Colman†	[illegible]		
Redland	[illegible]		
Reed Intl.†	[illegible]		
Rentokil Initial†	[illegible]		
Reuters†	[illegible]		
Rio Tinto†	[illegible]		
Rolls Royce†	[illegible]		
Royal & Sun Alliance†	[illegible]		
Royal Bk Scotland†	[illegible]		
Safeway†	[illegible]		
Sainsbury†	[illegible]		
Schroders†	[illegible]		
Scottish & New.†	[illegible]		
Scot. Hydro-Elect.	[illegible]		
Scottish Power†	[illegible]		
Sears	[illegible]		
Securicor	[illegible]		
Severn Trent†	[illegible]		
Shell Transport†	[illegible]		
Siebe†	[illegible]		
Slough Estates	[illegible]		
Smith (WH)	[illegible]		
Smith & Nephew†	[illegible]		
SmKl Beecham†	[illegible]		
Smiths Inds†	[illegible]		
Southern Elec.†	[illegible]		
South West Water	[illegible]		
Stagecoach	[illegible]		
Standard Chartd.†	[illegible]		
Storehouse	[illegible]		
T&N	[illegible]		
TI Group†	[illegible]		
Tarmac	[illegible]		
Tate & Lyle†	[illegible]		
Taylor Woodrow	[illegible]		
Tesco†	[illegible]		
Thames Water†	[illegible]		
Thorn†	[illegible]		
Tomkins†	[illegible]		
Unigate	[illegible]		
Unilever†	[illegible]		
Utd Assurance	[illegible]		
United Biscuits	[illegible]		
Utd. News & Media†	[illegible]		
United Utilities†	[illegible]		
Vodafone†	[illegible]		
WPP	[illegible]		
Wessex Water	[illegible]		
Whitbread†	[illegible]		
Williams	[illegible]		
Wolseley†	[illegible]		
Yorkshire Water	[illegible]		
Zeneca†	[illegible]		

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All prices are rounded. Source: Extel, part of FT information.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 11.09.97: Period	Pool purchase price (£/MWh)	Pool selling price (£/MWh)	Final Prices for Trading on 14.09.97: Pool purchase price (£/MWh)	Pool selling price (£/MWh)	TG use of system price (£/MWh)
[illegible]					

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY SEPTEMBER 9 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY SEPTEMBER 8 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	229.70	0.8	214.10	172.88	216.28	209.12	0.8	3.67	227.87	213.57	174.59	214.56	207.38	243.87	200.17	205.40
Austria (24)	198.30	0.0	184.83	149.24	186.71	186.61	0.1	1.76	199.23	185.71	151.81	186.56	186.47	208.00	174.70	178.63
Belgium (26)	242.97	-0.9	226.47	182.87	228.77	224.04	-0.9	3.05	245.23	229.74	187.80	230.80	226.00	261.11	215.57	217.55
Brazil (30)	279.15	0.5	260.21	210.11	262.85	580.51	0.4	1.32	277.82	260.28	212.77	261.47	558.08	322.44	178.94	181.44
Canada (124)	218.16	0.4	203.34	164.19	205.41	218.61	0.5	1.72	217.30	203.57	166.41	204.51	217.52	224.08	162.85	162.85
Denmark (32)	381.19	0.5	355.31	286.89	358.91	357.36	0.5	1.53	379.20	355.25	290.40	356.88	355.45	421.25	318.06	320.16
Finland (28)	297.71	-0.3	277.50	224.07	280.32	338.50	-0.5	1.82	298.48	279.63	228.59	280.92	340.10	314.06	205.98	209.74
France (83)	226.82	-0.7	211.42	170.71	213.56	216.61	-0.7	2.43	228.30	213.88	174.84	214.86	218.04	237.57	190.97	191.47
Germany (59)	223.26	0.5	208.10	168.03	210.21	210.21	0.6	1.36	222.08	208.05	170.07	209.01	209.01	238.42	173.76	174.79
Hong Kong, China (66)	527.00	1.9	491.22	396.63	496.21	524.08	1.9	2.96	517.03	484.37	395.96	486.80	514.23	580.03	429.08	429.08
Indonesia (27)	174.57	0.7	162.71	131.38	164.36	310.03	0.5	2.10	173.36	162.41	132.77	163.18	308.42	254.90	130.64	189.66
Ireland (17)	370.55	-0.2	345.39	278.88	348.90	349.56	-0.4	2.80	371.19	347.74	284.27	349.34	351.00	376.18	289.46	289.46
Italy (53)	102.32	-0.7	95.37	77.01	96.34	134.91	-0.8	1.76	103.02	96.52	78.90	96.96	135.71	105.79	73.78	74.86
Japan (485)	125.36	1.8	116.85	94.35	118.04	94.35	0.1	0.84	123.11	115.34	94.29	115.87	94.29	147.81	107.57	142.17
Malaysia (107)	354.86	1.0	340.09	274.60	343.54	408.63	0.8	1.74	361.13	338.32	276.56	339.86	405.43	660.85	287.37	548.70
Mexico (27)	1753.46	0.1	1634.39	1319.69	1650.99	14908.63	0.1	1.50	1750.85	1640.27	1340.86	1647.81	14889.35	1864.38	1136.59	1277.22
Netherlands (19)	398.65	-1.1	371.58	300.03	375.35	371.10	-1.1	2.18	402.99	377.54	308.62	379.27	375.03	431.66	297.95	300.82
New Zealand (14)	87.85	0.8	81.89	66.12	82.72	73.27	0.8	4.16	87.18	81.68	66.77	82.05	72.63	96.47	83.03	86.32
Norway (41)	334.90	0.3	312.16	252.05	315.33	338.67	0.4	1.81	334.04	312.95	255.82	314.38	337.37	334.90	250.74	254.65
Philippines (22)	115.62	6.5	107.77	87.02	108.86	180.03	5.3	1.17	108.58	101.72	83.15	102.18	170.99	214.07	100.52	201.78
Singapore (42)	331.17	4.4	308.68	249.25	311.82	229.38	4.2	1.38	317.32	297.28	243.01	298.65	220.22	448.01	284.17	384.45
South Africa (43)	339.39	-0.9	316.34	255.43	319.56	348.57	-0.8	2.43	342.58	320.94	262.36	322.42	351.29	370.12	301.49	347.58
Spain (33)	251.87	-0.1	234.77	189.57	237.18	291.41	-0.1	2.25	252.17	236.24	193.12	237.33	291.57	276.05	173.01	174.74
Sweden (49)	499.42	0.5	465.51	375.88	470.24	576.28	0.8	1.79	496.75	465.38	380.43	467.52	571.38	512.38	363.50	367.28
Switzerland (33)	297.42	-0.8	277.23	223.85	280.04	273.69	-1.0	1.22	299.95	281.00	229.71	282.30	276.48	329.59	231.69	247.39
Thailand (42)	44.34	1.9	41.33	33.37	41.75	81.01	-0.1	4.83	43.50	40.76	33.32	40.94	81.04	146.69	37.40	129.30
United Kingdom (213)	309.59	-0.1	288.57	233.00	291.50	288.57	-0.6	3.45	309.91	290.33	237.34	291.87	290.38	325.26	245.70	246.78
USA (635)	379.94	0.3	354.15	285.96	357.74	379.94	0.3	1.63	378.94	355.00	290.20	356.64	378.94	389.67	270.51	270.51
Americas (816)	347.13	0.3	323.56	261.26	326.85	292.38	0.3	1.65	346.19	324.32	265.12	325.81	291.56	358.35	247.49	247.40
Europe (712)	272.06	-0.2	253.61	204.78	256.18	262.04	-0.4	2.49	272.74	255.51	208.87	256.69	263.11	284.44	213.78	215.29
Nordic (150)	423.31	0.4	394.57	318.59	398.58	428.91	0.8	1.73	421.67	395.04	322.93	396.86	426.49	437.88	313.59	316.84
Pacific Basin (881)	142.11	1.8	132.46	106.95	133.81	108.16	0.4	1.34	139.62	130.80	106.93	131.41	107.69	162.15	127.18	156.32
Euro-Pacific (1593)	196.36	0.6	183.03	147.78	184.89	165.95	-0.1	1.97	195.16	182.86	149.48	183.70	166.04	209.12	173.55	180.76
North America (759)	369.88	0.3	344.77	278.39	348.27	369.17	0.3	1.63	368.88	345.58	282.50	347.17	368.15	379.38	263.93	263.93
Europe Ex. UK (499)	245.58	-0.8	228.90	184.83	231.23	241.15	-0.3	1.85	246.36	230.80	188.67	231.86	241.87	256.73	181.92	193.56
Pacific Ex. Japan (396)	287.15	1.8	267.65	216.12	270.37	263.18	1.6	2.91	282.50	264.66	216.35	265.88	259.05	320.65	260.02	283.82
World Ex. US (1817)	200.68	0.6	187.06	151.04	188.96	172.94	0.9	1.95	199.56	186.95	152.83	187.81	173.00	212.89	176.94	182.39
World Ex. UK (2239)	253.10	0.5	235.91	190.49	238.31	226.74	0.2	1.61	251.90	235.99	192.91	237.07	226.30	262.69	206.23	206.23
World Ex. Japan (1967)	325.44	0.2	303.34	244.93	306.42	319.63	0.1	1.96	324.86	304.36	248.80	305.78	319.25	334.83	245.67	246.10
The World Index (2452)	257.98	0.4	240.45	194.16	242.91	232.47	0.1	1.78	256.90	240.68	196.74	241.78	232.21	267.21	209.71	209.71

4 pm close September 10

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
- A -										
[illegible]										
- B -										
[illegible]										
- C -										
[illegible]										
- D -										
[illegible]										
- E -										
[illegible]										
- F -										
[illegible]										
- G -										
[illegible]										
- H -										
[illegible]										
- I -										
[illegible]										
- J -										
[illegible]										
- K -										
[illegible]										
- L -										
[illegible]										
- M -										
[illegible]										
- N -										
[illegible]										
- O -										
[illegible]										
- P - Q -										
[illegible]										
- R -										
[illegible]										
- S -										
[illegible]										
- T -										
[illegible]										
- U -										
[illegible]										
- V -										
[illegible]										
- W -										
[illegible]										
28¾	23⅝	WPS Rs x	1.04	6.9	10	290	[illegible]	28¾	28¾	[illegible]
77½	54⅝	Wrigley	0.70	1.8	33	934	[illegible]	72½	72⅝	-1½
31½	18¾	Wynns Int x	0.32	1.6	18	28	31¾	30¾	31	[illegible]
- X - Y - Z -										
84¾	51½	Xerox x	1.28	1.8	20	8065	79½	77½	78¼	[illegible]
49	40½	Xtra Corp	0.80	1.7	10	73	[illegible]	[illegible]	[illegible]	
25	20¾	Yankee Egy x	1.34	5.7	14	36	23½	23⅝	23⅝	[illegible]
50	37¾	York Int	0.40	1.1	14	3523	44½	[illegible]	44	[illegible]
6⅞	4	Zapata	0.25	4.6	46	12	5⅝	5⅜	5⅜	[illegible]
13⅝	8½	Zenith El				915	10½	10½	10½	[illegible]
29⅝	24⅝	Zenith Nat	1.00	3.5	17	461	u28½	28	28½	[illegible]
8⅝	7⅛	Zweig Inc	0.78	6.6		135	7⅞	7⅞	7⅞	[illegible]
28⅝	17¼	Zero	0.12	0.4	10	14	28⅝	28⅝	28⅝	[illegible]
12⅞	10¾	ZweigFd	1.20	9.4		390	u12⅞	12¾	12¾	[illegible]
9¾	8	Zweig Tot x	0.84	9.2		702	9¼	9⅛	9⅛	[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. X Dealings suspended.

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NASDAQ

هكذا من الأصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Sep 9	Sep 8	Sep 5	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7851.91	7835.18	7822.41	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	103.86	103.70	103.75	104.70 (31/7)	101.08 (14/4)	104.70 (31/7/97)	54.99 (1/10/81)
Transport	3011.10	3026.05	2958.53	3026.05 (9/9)	2222.07 (2/1)	3026.05 (9/9/97)	13.23 (8/7/32)
Utilities	237.49	236.34	235.52	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 7922.05 (7921.35) Low 7768.62 (7705.00) (Theoretical‡)
Day's high 7899.08 (7881.17) Low 7797.79 (7821.71) (Actual‡)

Standard and Poors	Sep 9	Sep 8	Sep 5	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	933.62	931.20	929.05	960.32 (6/8)	737.01 (2/1)	960.32 (6/8/97)	4.40 (1/6/32)
Industrials¶	1094.65	1091.53	1091.80	1130.76 (6/8)	865.42 (11/4)	1130.76 (6/8/97)	3.52 (30/6/32)
Financial¶	108.96	108.81	107.36	111.88 (31/7)	80.75 (2/1)	111.88 (31/7/97)	7.13 (4/9/74)
Others							
NYSE Comp.	486.69	485.78	484.64	497.98 (6/8)	389.47 (11/4)	497.98 (6/8/97)	4.84 (25/4/42)
Amex Comp	671.43	670.67	667.55	671.43 (9/9)	541.20 (28/4)	671.43 (9/9/97)	524.20 (16/7/96)
NASDAQ Cmp	1656.22	1645.35	1635.77	1656.22 (9/9)	1201.00 (2/4)	1656.22 (9/9/97)	54.87 (3/10/74)
Russell 2000	437.75	435.99	433.04	437.75 (9/9)	335.85 (25/4)	437.75 (9/9/97)	123.36 (7/12/93)

RATIOS

	Sep 5	Aug 29	Aug 22	Year ago
Dow Jones Ind. Div. Yield	1.67	1.71	1.66	2.24
	Sep 3	Aug 27	Aug 20	Year ago
S & P Ind. Div. yield	1.52	1.54	1.50	2.06
S & P Ind. P/E ratio	25.11	24.76	25.45	21.50

US DATA

TRADING ACTIVITY

● Volume (million)	Sep 9	Sep 8	Sep 5	NYSE	Sep 9	Sep 8	Sep 5
NYSE	502.101	466.440	532.390	Issues Traded	3,393	3,385	3,361
				Rises	1,583	1,784	1,658
				Falls	1,228	1,073	1,164
Amex	22.821	20.598	22.505	Unchanged	582	528	541
				New Highs	272	288	248
NASDAQ	723.015	658.991	653.836	New Lows	12	11	7

NYSE TRADING ACTIVITY — Volume : 502,210,000

ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
ColumbiaHCA	19,341,100	29⅝	−3¼
Corning	8,881,400	48¾	−4⅝
First Data	4,920,600	37⅞	+⅛
IBM	4,869,000	100¾	−2⅞
Compaq	4,537,400	67⅝	−⅛
Unisys	4,143,400	12	+¼
Nationsbk	4,069,000	56⅞	+1⅝
Ph. Morris	3,852,400	44⅞	+⅞
18 Digital	3,544,500	43¾	−⅛
Gen Elect	3,484,100	66⅞	−⅛

BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Fr H'wood A	10⅝	+3⅛	+49.1
General Chem	33⅜	+4	+13.6
Richfood	24¼	+2⅝	+12.7
Danbury	19⅝	+2⅛	+12.5
Downs			
Dominion Res	21⅛	−3¼	−13.9
ColumbiaHCA	29⅝	−3¼	−9.4
Corning	48¾	−4⅝	−8.9
SCOR	39⅝	−3⅛	−7.3

NASDAQ TRADING ACTIVITY — Volume : 723,015,000

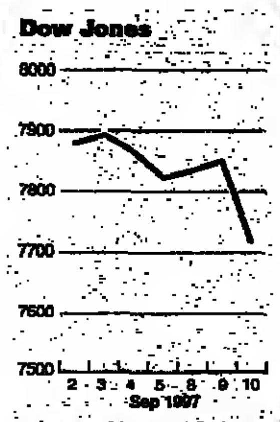
ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
Worldcom	14,236,700	35⅞	+1⅞
Intel	14,182,700	97¾	+1⅞
Ascend	13,303,000	42¼	+2⅝
Tellabs	12,886,100	56⅞	−5⅞
Tele-Com A	12,522,500	19¼	+⅜
Three Com	10,168,000	51⅝	+3¼
Quantum	8,395,400	34¾	+1¾
Cisco Sys	5,139,700	76	+⅛
Microsoft	4,939,100	180⅝	+¾
Oracle	4,838,200	39⅞	−⅛

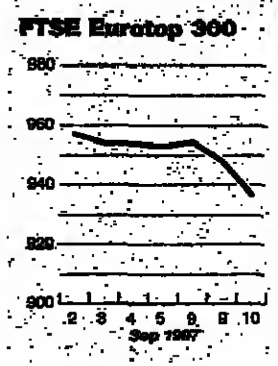
BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Keravision	10¾	+3¼	+43.0
Oncogene	11⅝	+3¼	+37.7
Prophet 21	12⅝	+3⅛	+33.8
Softer Spec	18⅝	+4⅛	+28.4
Downs			
Apac Tele	13	−3½	−21.2
Hirsch A	17⅝	−4⅝	−20.6
Fst Cm Bk A	21⅛	−2⅝	−11.0
Info Analysis	22⅝	−2⅝	−10.3

Dow Jones



FTSE Eurotop 300



JAPAN

	Sep 10	Sep 9	Sep 8	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	18704.77	18695.97	18693.86	20681.07	17303.65	38915.9	85.25

TOKYO TRADING ACTIVITY — Volume : 335,000,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Gunma Bank	6,253,000	1040	
Nissan Mtr	4,966,000	720	−28
Minebea	4,960,000	1350	+100
Daikowa Pap	4,038,000	724	−21
Nippon Stl	3,915,000	298	−1
Mitsbi Hvy	3,702,000	785	−8
Nip Crd Bk	3,380,000	177	−8
Okura	3,023,000	422	+5
Sato Kogyo	3,012,000	129	−8
Shimano	3,002,000	2650	

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Yahgi Iron	568	+68	+13.6
Sekisuida	358	+41	+12.9
Mori Seiki	1600	+150	+10.3
Minebea	1350	+100	+8.0
Downs			
Tokai Saiko	242	−28	−10.4
Michiano	260	−27	−9.4
Ricon Auto	615	−55	−8.2
Gentec Srv	818	−40	−7.3

FRANCE

	Sep 10	Sep 9	Sep 8	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2874.57	2919.72	2940.89	3075.87	2256.87	3075.87	984.61

PARIS TRADING ACTIVITY — Volume : 295,571,870

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Axa-UAP	1,330,554	388.7	−7.8
Total	701,202	622	−23
Elf-Aquitaine	686,292	735	−8
Bull	555,404	57.4	−2.05
Danone	542,637	840	−28
Casino	449,277	334	−3.4
Rhone-Pnc	413,883	234.9	−0.5
Paribas	392,212	443.6	−4
Alcatel Alsth	370,627	789	−18
Finextel	368,368	117	

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Acanthe Dev	120	+10	+9.1
Maunak (A)	195	+14.9	+8.3
Petit Bateau	27	+2.05	+8.2
Dec Lamothe	350	+24.5	+7.5
Downs			
Bourgeois	57.2	−6.8	−10.6
Rallye	352	−37.1	−9.5
Oroedl-Bock	842	−88	−9.5
Gevelot	1242	−98	−7.3

GERMANY

	Sep 10	Sep 9	Sep 8	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4050.14	4094.39	4068.01	4438.93	2848.77	4438.93	931.18

FRANKFURT TRADING ACTIVITY — Volume : 9,090,495

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
IG Farben	1,612,400	2.5	+0.1
Bayer Hypo	882,158	68.1	−0.18
Commerzbank	749,931	62	−2.25
Siemens	680,589	115.2	−1.55
Veba	613,987	100.1	−0.9
Bayer Vrbk	507,650	99.3	+2.2
Dt Telekom	503,888	37.16	−0.45
Bayer	402,735	70	
Deutsche Bk	359,334	106.05	−2.65
Hoechst	358,457	77.6	−0.9

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Bremer Vlk	3	+0.42	+16.3
Babcock-BSH	135	+8.95	+7.1
Ex-Cell-O	275	+15	+5.8
SKW Trost	63	+2.7	+4.5
Down			
Strabag Pf	130	−8	−5.8
Hornbck Pf	123	−7	−5.4
Metro Pf	63	−2.8	−4.3
Frilec	38.5	−1.5	−3.8

UK

	Sep 10	Sep 9	Sep 8	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	4905.2	4950.5	4985.2	5086.80	4056.60	5086.8	986.9

LONDON TRADING ACTIVITY — Volume : 704,200,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
JKX Oil	26,866,470	52	+7
BT	16,017,280	401½	−7
Norwich U	15,214,530	341	−7½
Woolwich	11,777,100	318½	+1
Shell	10,463,830	437½	−1½
Williams	9,818,491	359	−15½
BTR	9,595,254	218	+3
Guinness	8,104,472	558½	−4
Centrica	7,662,699	89¼	−½
Vodafone	7,000,000	311	−7

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Lon & Met	7½	+2¾	+57.9
JKX Oil	52	+7	+15.6
BS Group	142½	+12½	+9.6
Meggitt	130½	+11½	+9
Downs			
Biocompt	550	−182½	−24.9
Saltire	26½	−7	−20.9
La Senza	31½	−7	−18.2
Gresham Cm	29½	−4½	−13.2

INDEX FUTURES

S&P 500	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	933.55	929.50	−4.50	934.50	928.50	70,103	138,564
Dec	941.00	939.25	−4.70	941.00	938.50	18,323	69,835
Nikkei 225							
Sep	18610.0	18740.0	+10.0	18750.0	18590.0	12,660	82,232
Dec	18600.0	18690.0	−10.0	18730.0	18580.0	6,547	142,065

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	2934.0	2878.0	−45.0	2936.0	2870.0	18,111	41,790
Oct	2936.5	2884.5	−45.0	2936.5	2876.0	788	1,623
DAX							
Sep	4101.0	4017.5	−94.5	4131.0	4017.0	28,623	79,868
Dec	4131.0	4050.0	−78.0	4163.5	4053.5	7,140	8,375

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Sep	2549.00	2519.00	−25.00	2561.00	2505.05	6,881	20,750
Oct	2554.00	2523.00	−24.00	2567.00	2521.00	253	1,884
SOFFEX							
Sep	5474.0	5344.9	−95.1	5483.0	5342.00	8,261	23,978
Oct	5400.0	5350.8	−174.0	5400.0	5400.0	1,040	3,733

Open interest figures for previous day.

WORLD MARKETS AT A GLANCE

Country	Index	Sep 10	Sep 9	Sep 8	1997 High	1997 Low	Yield	P/E
Argentina	General	24227.98	24228.35	24204.06	24917.86 6/8	18237.37 2/1	2.7	20.2
Australia	All Ordinaries	2666.5	2674.5	2658.2	2746.90 2/7	2362.29 1/4	3.4	18.3
	All Mining	813.4	817.6	814.2	987.18 24/2	806.08 1/9		
Hungary	Bux	7767.57	7681.62	7649.77	8463.80 6/8	4291.30 6/1	na	na
India	BSE Sens.	4045.61	4031.55	4087.30	4548.02 5/8	3225.24 2/1		
	Crisil 500	754.17	753.18	760.44	843.29 5/8	622.71 2/1	na	na
Poland	WIG	17587.6	17438.8	17236.9	18339.40 18/2	14421.60 6/1	1.4	12.4
Portugal	BVL 30	3460.43	3445.71	3433.92	3693.95 7/8	2165.57 2/1	1.7	25.2
	PSI 20	6025.07	6011.43	7982.50	8350.66 7/8	5152.34 2/1		

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NASDAQ NATIONAL MARKET

4 pm close September 10

[illegible]

NASDAQ NATIONAL MARKET

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AMEX PRICES

4 pm close September 10

[illegible]

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.375		1400	8.25	2.875	Lernout & Hauspie	US$31.75	+0.5	13270	34	25
Artwork Systems	US$8.125		11000	11.125	7.875	Mercer Int'l	US$19	−0.125	0	11.75	8.125
Chemunex	FFr10		6700	18	10	NTL	US$26	−0.25	0	26.25	20.5
Debonair Holdings	GBP6.3	+0.05	10950	7.15	4.5	PixTech	US$3.625		0	8.125	3.375
Dr Solomon's ADS	US$28.625	−1.25	1500	30.75	16.875	Schoeller-Bleckmann	Sch1575	−5	800	1692	900
EDAP TMS	US$6.5625		9	9.125	6.5625	Topcall Int'l	Sch3790	−83	4350	3303	3065
Esprit Telecom ADS	US$5.75		0	12.25	5.375	Turbodyne Technol.	US$6.05	−0.03	1000	6.25	3.73
Innogenetics	US$10		82630	12.75	0.875						

Prices for 10/9/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 9090)

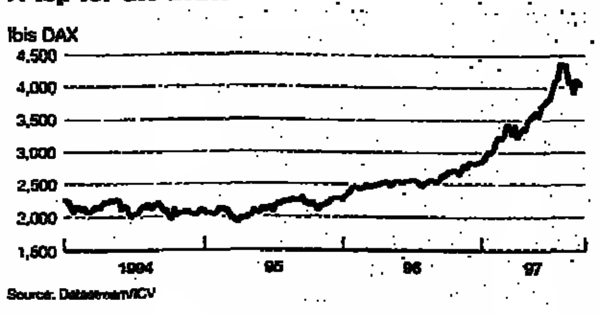
Begging bowl provides food for thought

WORLD OVERVIEW

The German corporate sector is holding out its begging bowl, *writes Philip Coggan*. Only days after Volkswagen surprised investors wltb plans for a DM6bn-DM8bn rights issue, Commerzbank yesterday announced it was tapping the market for a further DM1.5bn.

Those issues come on top of offerings from Thyssen, Dresdner Bank and Vereinsbank. All told, according to Richard Davidson, European equity strategist at Morgan Stanley, some $7bn-$8bn of equity capital is being raised by German companies in the aecond half of the year.

A top for the DAX?



Source: Datastream/ICV

A flurry of fund-raising is normally taken as a sign of the top of the market and German shares, while battered in August, have had a pbenomenal rise since the start of 1996. One can hardly blame managements for taking advantage, or investors for being cautious.

"The danger is that all the good that has been done by the restructuring process in Germany could be seen in crumble," said Mr Davidson.

The Commerzbank issue certainly belped to send the German market lower yesterday, although a fall in the dollar and the early weakness on Wall Street, where the Dow Jones Industrial Average was down 50 points or more for most of the first couple of hours of trading, also weighed on sentiment.

Francoia Langlade-Demoyen, European strategist at Credit Suissa First Boston, says the markets face three persistent worries at the moment: that the US Federal Reserve will raise rates; the Bundesbank will raise rates; and that monetary union will fall apart.

There was some reasonably positive economic news on those issues yesterday. German gross domestic product grew 1 per cent in the second quarter of the year, and was 2.9 per cent higher than the same period of 1996.

That brought the deficit to GDP ratio down to 3.1 per cent, putting Germany very close to meeting the Maastricht criteria.

Furthermore, although growth was strong, it was heavily skewed towards the export sector. Export-led growth should not be as much of a worry for the Bundesbank as the domestic strength, and accordingly the need for an interest rate rise may not be as great; bunds were higher on the news yesterday.

But European markets in general found it hard in take heart, continuing the decline which has taken the FT S&P Europe (ex-UK) down more than 4 per cent from its July peak.

David Kidde, head of European equities at Hill Samuel Asset Managemant, says that "markets have been very overbought and valuations are a little stretched. There may not be much money to be mada in the next two to three months".

London market, Page 30

EMERGING MARKET FOCUS

Pakistan faces uncertain future

A bost of political and economic factors continue to cast a spell over Pakistan's equity market, only months aftar a rally appeared to mark the and of a volatile year which had seen some sharp losses.

Yesterday, the benchmark KSE-100 index lost 5.05 to 1,818.54 as investors squared positions ahead of a national holiday today.

Last week, Nawaz Sharif, tha prime minister, reminded Inveators that recent incentives for the capital market provided concessions and policy measures for the development of the stock market.

Among the incentives, tha government has extended by a further three years an exemption from a capital gains tax and removed a 0.5 per cent turnover tax.

Even though the market index is still higher than the 1,648 points at which it stood after the February elections, it is well below the three-year high of 2,035 recorded towards the end of July.

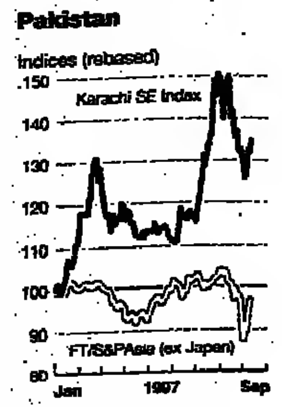
On a prospective 1997 p/e of 10.4, the market is cheap compared with its regional neighbours.

Many analysts say the effects of recent turbulence across markets in Asia, along with anxiety over Pakistan's economic outlook, has cast doubts over the future. Recent rainfalls across Pakistan and reports of floods bave added to worries over the size of the next cotton crop, which is vital for the economy and market aantiment.

More important, the economic outlook has been dampened by reports that the government's tax revenues during the first two months of the financial year (July-June) fell considerably behind target.

This is a setback for Mr Sharif's decision to cut personal and corporate tax rates this year, in the hope that he would be able to encourage more than just the 1 per cent of Pakistanis who pay tax at present. The shortfall may also signal trouble in relations with the International Monetary Fund.

Pakistan



Source: Datastream/ICV

The fund is due to consider a request from Islamabad next montb for a $1.6bn three-year loan.

Arsbad Arif at Baring Securities in Karachi says: "There's too much uncertainty on the economic front, especially because it is still not clear if the reforms will sncceed."

Altbougb government officials firmly deny that a reverse in the recent tax policy will ever be contemplated, independent analysts say further falls in tax revenues would leave Mr Sharif with no choice but to raise tax rates.

Other analysts say that a rally in share prices would rest on fragile ground, mainly because investors confine their activities to a narrow band of stocks such as Pakistan Telecom, ICI Pakistan and Hub Power Company.

Fatma Shah, head of research at HSBC James Capel, agrees that uncertainty over the economy is a main factor behind the most recent cantion. However, Ms Shah expects shares to surge in early October wben the IMF is expected in announce the loan agreement.

Farhan Bokhari

Dow takes lead from weak bonds

AMERICAS

In moderate trading volume ahares on Wall Street fell throughout tbe morning, with losses taken by most major sactors, *writes John Labate in New York*.

"Bonds are lower and that's weighing on financial stocks," said Bill Schneider, equity bond trader at Salomon in New York. "There is also still the basic underlying theme of investors coming out of larger cap stocks," he added.

Bond traders noted that Treasuries had faced competition this week from new issues in the corporate and asset-backed market. Speculation that Friday'a producer price report for August will be unfavourable also continues to weigh on the bond market. At midday, the long bond was 5/32 lower at 96 7/16, yielding 6.645 per cent.

By early afternoon the Dow Jones industrial Average was off 68.06 or 0.87 per cent at 7,783.85. The broader Standard & Poor's 500 index was down 7.13 at 926.49. As has been the trend in recent weeks, smaller stocks fared better than average. The Russell 2000 was off less than one point at 437.49.

Tobacco producer Philip Morris fell $2⅞ at $112¼ as uncertainty continued about the state of the industry's multi-billion dollar settlement. Lower bond prices caused most banking stocks to mova lower. JP Morgan fell $2½ at $112⅛ and Citicorp lost $1 13/16 at $130⅛.

Concerns about a possible slowdown in third-quarter earnings for technology companies pushed the Nasdaq lower as the composite index fell 9.2 or 0.56 per cent to 1,647.21. Networking leader Cisco Systems lost $2⅛ at $73⅛ while the second largest software maker, Oracle, fell $1 11/16 at $38⅛.

At the same time, shares in IBM, one of the Dow's fallers on Tuesday, also moved lower in spite of a long-term buy rating from Merrill Lyncb analysts. IBM fell $1⅞ at $98 11/16.

Steel producers bucked the broad downtrend following a broker upgrade for selected stocks to a "buy" rating. Bethlehem Steel rose $⅝ at $12¼ and LTV gained $½ at $14 3/16. Among motors, General Motors gained $ 15/16 at $67⅞ and Chrysler $¼ at $37 3/16.

TORONTO chose in ignore solid gains among banks to move lower in line with the weak opening on Wall Street. At noon, the 300 composite index was off 11.02 at 6,788.50.

Brokers said tbere was good volume throughout the morning and that sentiment remained in "fairly solid shape". Banks continued to gain ground and golds met with demand.

Royal Bank of Canada added 15 cents at C$66.00 and Toronto-Dominion Bank 30 cants at C$43.80. Bank of Montreal rose 85 cents to C$61.20. Among golds, Barrick improved 25 cents to C$30.40 and Placer Doma 10 cents in C$22.40.

Index heavyweight BCE dipped 20 cents to C$40.70 and Newbridge Networks lost C$1.00 at C$76.60. Northern Telecom gave up C$1.30 to C$138.70. Alcan Aluminlum shed 20 cents to C$48.30.

Takeover rumours resurfaced in the energy sector. They got firmly behind Newport Petrolaum, lifting the shares 85 cents or more than 11 per cent to C$8.20.

Caracas gains ground

A modest rally for Venezuela failed to instill much confidence across Latin America yesterday where most markets continued to move steadfastly lower.

CARACAS gained ground. The IBC index ran into profit-taking on Tuesday unwinding part of the strong, debt restructuring rally of recent sessions, but tbere was renewed vigour yesterday.

Brokers said it was an active morning with volume improving. At midsession, the IBC index was up 82.58 at 10,513.12.

MEXICO CITY moved lower in the face of a modest uptick for money market rates. The IPC index was off 44.24 at 4,893.72 at midsession. Telmex shed 20 centavos to 18.38 pesos.

● **The IFC emerging market Indices will in future appear in Monday'a editions**

Paris drops on banks sell-off

EUROPE

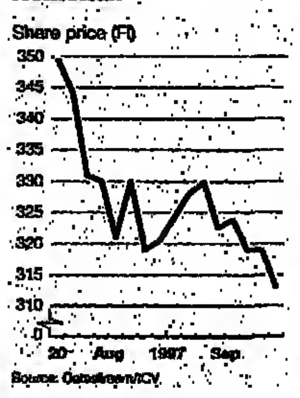
Bank shares in **PARIS** suffered a wave of profit-taking following interim results from Cie Bancaire, the first of five big banks reporting this week.

The numbers from Bancaire fell modestly short of the consensus of brokar estimates. But most analysts were nonetheless puzzled by the steepness of the sell-off which hit the whole sector and left Bancaire FFr26.00 or 3.5 per cent lower at FFr715.

"I suspect most analysts had forgotten to adjust for the recent tax rise. The numbers were right in line with our estimates," said Jean-Marc Loiseau of ABN Amro Hoare Govett in Paris. Mr Loiseau remains firmly positive on the stock, expecting earnings per share growth of 33 per cent next year and 20 per cent in 1999.

Societe Generale shed FFr1.00 to FFr786 ahead of interim results announced after the close of market hours while Paribas, which has a 50 per cent stake in Bancaire, lost FFr4.00 to FFr443.6. Paribas reports today along with BNP and CCF, which came off FFr8.90 to FFr279.1 and FFr5.70 to FFr327 respectively.

Heineken



Source: Datastream/ICV

Foods leader Danone fell FFr26.00 to FFr840 after a downgrade to "neutral" from "outperform" by Morgan Stanley following Tuesday's interim results. The oil secinr provided the day'a heaviest casualty. Total dropped FFr23.00 or 3.6 per cent to FFr622.

At the close, the CAC 40 index was 45.15 lower at 2,874.57 after another session of moderate volume with 9.5m shares changing hands.

AMSTERDAM moved lower on derivatives-linked selling ahead of next week's options expiries. The AEX index closed 17.61 or almost 2 per cent lower at 877.56.

Financials led the way down with an actively traded ABN Amro retreating Fl 1.30 to Fl 39.50 in volume of 7.4m shares. Fortis Amev shed Fl 3.00 or 3.5 per cent to Fl 81.70.

Drinks and fooda group Bols Wessannen continued to slide, losing Fl 1.70 to Fl 32.60 for a two-day decline of more than 7 per cent. Heineken was also on the ropes ahead of tomorrow's reaulta statement. The shares, off Fl 6.00 to Fl 313, have fallen 11 per cent since August 20.

Among smaller caps, Vendex rose a further Fl 3.90 to Fl 114.10 on favourable comment following its six months earnings. ASM Lithography gained Fl 4.10 in Fl 184.30 on press reports that the company may win a big wafer stepper order from Siemens of Germany.

FRANKFURT was weak in floor, and subsequent electronic, trade, depressed by weakness in the dollar and news of a capital increase at Commerzbank, one of the Dax-30 constituents. At the close, the Ibis-indicated Dax index was 76.57 lower at 4,028.

Commerzbank fell DM1.90 to DM62.30 on news of its plan to raisa about DM1.5bn in a 1-for-14 rights issue. However, analysts said the negative impact on the shares was limited because the plan was dwarfed by the DM7bn capital increase announced last week by Volkswagen.

Shares in Deutsche Bank fell in sympathy with Commerzbank, easing DM1.60 to DM108.50. Dresdner Bank eased DM1.29 to DM76.41.

But the Bavarlan banks performed better as the market awaited the outcome of tha share swap offer whicb is crucial to tbeir merger plans. Bayerische Vereinsbank advanced DM2.40 to DM99.80 wbile Bayeriscbe Hypotheken-und-Wechsel Bank edged up 30 pfg to DM69.30. Vereinsbank had offered Hypo shareholders one Allianz share for every six Hypo shares held.

Car sbares remained in focus as the Frankfurt car show continued. Volkswagen hit a high of DM1,188 before it pulled back in close DM2 weaker at DM1,164.50.

Among second-liners, pbarmacenticals group Merck gained 40 pfg to DM70 after selling its skin-care group, Hermal Kurt Herrman, to Britain's Boots.

The market was unmoved by German second-quarter GDP data which dealers said was broadly in line with expectations.

ZURICH qnickly ran out of steam after a firm opening. By the close, the SMI index, under pressure from derivatives-linked selling and Wall Street, was posting its third consecutive daily loss, down 88.4 at 5,356.7. Novartis was among the biggest of the blue-chip losers with a fall of SFr54 to SFr2,145. Roche also lost ground, easing SFr230 to SFr12,950.

Ciba SC outperformed following a Goldman Sachs upgrade. The shares rose SFr1.25 to SFr141.50.

ABB, under pressure in recent sessions amid uncertainty over Malaysia's Baknn dam project, was down another SFr14 to SFr2,153.

Among financials, Zurich Insurance stood out with a loss of SFr15 to SFr588. CS Group fell SFr2.50 to SFr178. Holderbank gave up SFr44 to SFr1,266 as its half-year figures triggered selling. Sulzer fell SFr33 to SFr1,008.

FTSE Actuaries Share Indices — European series

September 10

National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	936.78	−1.24	−11.80	2.40	0.00	939.27
FTSE Eurotop 100	2177.04	−1.52	−33.65	-	–	–
FTSE Eurotop 300 Regions						
300 UK	931.54	−1.20	−11.29	3.40	0.00	937.34
300 Ex-UK	940.50	−1.27	−12.10	1.84	0.00	941.09
300 Eurobloc	938.93	−1.23	−11.74	2.02	0.00	939.63
300 Ex-Eurobloc	936.00	−1.25	−11.84	2.67	0.00	939.84
FTSE Eurotop 300 Economic Groups						
Resources	968.13	−0.98	−9.63	2.80	0.00	969.61
General Industries	966.47	−1.13	−11.04	2.04	0.00	967.11
Consumer Goods	895.91	−1.57	−15.18	2.04	0.00	896.00
Services	929.31	−0.73	−6.80	2.35	0.00	931.10
Utilities	934.82	−1.49	−14.13	3.34	0.00	940.16
Financials	937.59	−1.20	−12.15	2.45	0.00	941.46

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

Written and edited by Michael Morgan and Jeffrey Brown

SOUTH AFRICA

Shares in Johanneshurg moved lower for the third day running as the institutions retreated to the sidelines in the face of continued futures-related selling.

The all-share index fell 42.0 to 7,311.3 following a 63.4 decline to 8,921.8 for the industrials index. Sasol was a major faller, tumbling 3.5 per cent to R61.75.

Golds traded quietly with the index dipping 5.70 to 975.6.

Bangkok falls on election fears

ASIA PACIFIC

Political concerns, tha threat of a debt downgrade and a rise for bank lending rates combined to push **BANGKOK** down by 4.2 per cent in thin volume.

The SET index, which stood at 858.97 at the end of January, closed 23.46 lower at 541.55. Turnover was described by brokers as reiatively nominal at Bt3.8bn.

Tbe news that Moody'a had put Thailand on review for a possible debt downgrade combined with fears of a snap general election to severely undermine sentiment. An increase in lending rates by tbe four top banks added in investors' agony.

The banks sector tumbled 6.6 per cent. Bangkok Bank, the day's most active stock, fell Bt11 to Bt216.

TOKYO was becalmed, a welcome respite from recent volatility, *writes Poul Abrahams*. The Nikkei 225 average rose 8.8 to 18,704, an increase of 0.05 per cent, after moving narrowly between 18,574 and 18,723.

Volume was light. Of the 1,328 shares in the first section of the excbange, 549 declined, 513 advanced and 180 stocks were unchanged. Tbe lack of direction extended to the Topix index of all first section stocks, which slipped 0.18 to 1,441.03. Tha capital-weigbted Nikkei 300 index fell 0.14 to 281.48.

In London, the ISE-Nikkei 50 index fell 0.72 to 1,602.22.

Analysts said the market was likely to remain calm until Friday, when a number of September futures and options are due to be settled. Technology stocks were relatively active.

Advantest rose Y400 to 12,200, Tokyo Electron was up Y170 to 6,960. Nikon advanced Y60 to Y1,970 and Canon improved Y70 to Y3,560.

In contrast, a few consumer electronics groups fell back on concerns about tha after-effects of the recent currency crisis. Sony dropped Y100 to Y11,300 and TDK Y90 to Y9,860. Kyocera came off Y20 to Y8,320, NEC Y10 to Y1,380 and Fujitsu Y20 to Y1,460.

Hokkaido Taknshoku Bank, the troubled commercial bank, rebounded Y2 to Y113. The market had closed before the failure of rescue talks with Hokkaido Bank was confirmed. Some other banks fell on fears they might be forced to inject capital into Hokkaido Takushoku. Dai-ichi Kangyo Bank lost Y10 to Y1,400 and Sakura Bank Y16 to Y704.

In Osaka, the OSE average edged np 12 points to close at 19,573 on volume of 138.89m shares.

JAKARTA stocks ended sharply lower on continued local-led selling of blue chips. The composite index fell 22.99 or 3.8 per cent to 575.02.

Turnover was 30 per cent down on Tuesday's levels at Rp495bn. Finance group Putra Surya Multidana fell Rp200 to Rp1,775.

KUALA LUMPUR paused for profit-taking after the 20 per cent rise of the previous four sessions and the composite index closed 25.67 or 2.9 per cent lower at 863.08.

Analysta said that although sentiment bad improved, inveators ware cantious of chasing up prices too quickly.

The market was also awaiting details of bow Malaysia planned to reduce its balance of payments gap, to be announced later in the day by Anwar Ibrahim, the deputy prime minister.

HONG KONG took a late tumble following a sudden sell-off of blue chips and Cbina-related issues, but analysts were divided on the reason for the fall.

Tbe Hang Seng index closed 191.22 or 1.3 per cent lower at 14,805.44 in turnover that picked up to a robust HK$26.2bn.

Some traders attributad the fall to profit-taking after the rises of the previous three sessions. Others said that derivatives and futures traders with big short positions were hoping to drive the market down this week, ahead of a host of good news coming out later in the month.

A tbird explanation suggested that the market was fragile due to reduced liquidity following a reduction in margin financing.

The red-chip Hang Seng China-Affiliated index, which had traded to a high of 4,072.09, closed 53.50 or 1.4 per cent lower at 3,914.18.

The Hang Seng China Enterprises index of 34 H sbares closed down 5.85 at 1,409.92 after trading nearly 5 per cent higber in the morning.

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